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**AN ANALYSIS OF STRATEGIC MANAGEMENT IN THE Digital Music Industry IN A
CHINESE CONTEXT**

SIQI ZHANG

PhD

January 2020

**AN ANALYSIS OF STRATEGIC MANAGEMENT IN THE Digital Music Industry IN A
CHINESE CONTEXT**

SIQI ZHANG

A thesis submitted in partial fulfilment of the requirements of the University of Northumbria at
Newcastle for the degree of Doctor of Philosophy

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Abstract

There are elements of cultural innovation only partly articulated in managing the business of Digital Music within academic research in a Chinese context. This thesis research into one question, how far management and operational systems developed with a western background can be applied efficiently to the Chinese context within the field of the Digital Music Industry?

The study adopted a chronological approach. It followed the development history of three timelines, the development of management theories and logic in China and the West, the development of global Digital Music, the development of China's Digital Music Industry, which including understanding a critical introduction to management in its historical and intellectual context which provided a useful expansion of the issues raised.

This research analyses China's Digital Music Industry from the perspective of the insider, with a people-oriented research angle and a comprehensive methodology based on an interpretive approach combined with dialectical thinking. The research distinguishes China's Digital Music Industry from other mature Digital Music industries and highlights the contemporary challenges it presents in the current context.

This thesis begins by building a theoretical framework of Western management and its development, contrasting this with a Chinese experience of theories and philosophy of management. It tested these theories by analysing the changes and growth of Digital Music management in China from the external environment perspective and a case study of QQ Music.

The research compares the similarities and differences between China's Digital Music Industry and others which include definitions of Digital Music, historical developments, people's concept of consumption, attitude, and behavioural habits around Digital Music. It reviews the literature on management research to conceptualise Western theories combined with the case study of QQ music, to make explicit how they apply or do not apply in China, and to be more specific, within the Chinese Digital Music Industry.

The research defines the mission and goal of Digital Music in a Chinese context. More importantly, based on the analysis to understand the Chinese Digital Music management logic, makes clear the unique attributes (service as the core competitiveness), the development pattern of China's Digital Music Industry (an online and offline interactive digital business ecosystem) and offers a way to extend existing theories (the collision of fan economy, experience economy and the Long Tail theory).

The research has collected a lot of valuable first-hand data, including many hard-to-reach groups and includes non-public data from the company and local government. The study concludes that Western management theories are distinct from China's experience in the Digital Music Industry. This lies in, particularly, the core profit model and consumer habits of Digital Music in China and their difference to the West. Consumers have different perceptions of the value of music content and service. It is valuable to seek new insights into advanced business models and management theories which is set to enhance the study of China's Digital Music Industry and which may provide the practical assessment of good practice in a Chinese context to inform management practice from non-Western models.

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Declaration

I declare that the work contained in this thesis has not been submitted for any other award and that it is all my own work. I also confirm that this work fully acknowledges opinions, ideas and contributions from the work of others.

Any ethical clearance for the research presented in this thesis has been approved.

Approval has been sought and granted by the Faculty Ethics Committee on 17 Dec. 2015.

I declare that the Word Count of this Thesis is 83,559 words.

Name:

Signature:

Date:

LIST OF ABBREVIATIONS

AAC	Apple's Advanced Audio Coding
API	Application Program Interface
Apps	Applications
B2B	Business-to-Business
B2C	Business-to-Customer
CACA	China Audio Copyright Association
CACCMA	China Audio Copyright Collective Management Association
CD	Compact Disc
CMC	Cmc Asia Group Holdings Limited
CNNIC	China Internet Information Centre
CP	Content Providers
CRM	Customer Relationship Management
CSPRI	China Science Published Research Institute
DRM	Digital Rights Management
IEC	International Engineering Co Consortium
IFPI	International Federation of Phonographic Industries
IP	Intellectual Property
ISO	The International Standards Organization
KMCIA	The Korea Music Content Industry Association
MIAK	Music Industry Association of Korea
MP3	Moving Picture Experts Group-1, Layer-3
MPEG	Moving Pictures Experts Group
NCAC	National Copyright Administration of China
O2O	Online to Offline
P2P	Peer-to-Peer
PGC	Professional Generated Content

PHS	Personal Handset System
POSDCORB	Planning, Organizing, Staffing, Directing, Co-Ordinating, Reporting And Budgeting
PwC	Pricewaterhousecooper
RIAA	Recording Industry Association of America
SCP	Structure Behaviour Performance
SGH	Warsaw School of Economics
SNS	Social Network Services
SP	Service Provider
SWOT	Strength, Weakness, Opportunity And Threat
TIHR	Tavistock Institute of Human Relations
TME	Tencent Music Entertainment
TO	Telecommunication Operators
TQM	Total Quality Management
UGC	User Generated Content
VRIN	Valuable, Rare, Inimitable, Non-Substitutable
WMA	Windows Media Audio
WVAS	Wireless Value Added Services

CHRONOLOGICAL TABLE

Time	Policies and Regulations	Core Contents
2002	Rules for the Implementation of the Copyright Law of the People's Republic of China	Clear interpretation of copyright law and implementation details
2004	Regulations on the collective administration of copyright	Make clear provisions on collective management of copyright
2006	Opinions of the Ministry of culture on the development and management of website music	In order to standardise the website music market, regulations are made on the examination of website music content
2009	Circular of the Ministry of culture on strengthening and improving the examination of website music content	Emphasis should be placed on strengthening the main body of the website music business, business content, trading rules and other contents, clarifying the review procedures and requirements, and supervising the self-examination system
2013	Guidelines for website music content audit	Emphasis on the content itself and self-inspection of music product
2015	Notice on ordering website music service providers to stop unauthorised dissemination of music works	Order website music service providers to stop disseminating unauthorised music works and put them all offline
2015	Notice on Further Strengthening and improving the management of website music content	Implement the independent audit of enterprises and the supervision and management of cultural management departments during and after the event
2015	Some opinions on vigorously promoting the development of China's music industry	Put forward the main tasks of music industry development, and emphasise the strengthening of copyright protection

Chapter 1 Introduction

1.1 Aim of the Research

This research has been undertaken to understand the extent of efficient application of management and operational systems, developed within a western context, in China with a specific focus on the field of the Digital Music Industry.¹ Western management theories have a critical referential value from the perspective of the theoretical development of the management field in China. Having been through a century of progress, Western Management Science has already evolved a sophisticated and standardised research system and methods, which can facilitate the exploration of the general rules of Chinese management in the arena of Digital Music. It can also contribute towards the exploration of Management Field in China from the perspective of research. Current Western management theories can be suggested to have been originated from the specific culture of the West. However, understanding Western Management Theories is vital for the sake of development of local Digital Music Management Theories in a Chinese context which may also apply, in general, to other business sectors in China.

The overall goal of this research is to put forward a better understanding of the characteristics of China's Digital Music Industry by drawing a comparison between the similarities and differences

¹ The Western mentioned in this study are based on the definition of the West from a Chinese perspective. The Western world, also known as the West, refers to various regions, nations and states, depending on the context, most often including at least parts of Europe, UK, Australasia, and the Americas. As the term "Western world" does not have a strict international definition, governments do not use the term in legislation of international treaties and instead rely on other definitions. In modern usage, Western world refers to Europe and to areas whose populations largely originate from Europe, through the Age of Discovery's imperialism. See examples, William C. Hughes. *Western Civilization*. Guilford, CN: Dushkin Pub, 1999; Gregerson, Linda, and Susan Juster. *Empires of God: Religious Encounters in the Early Modern Atlantic*. Philadelphia, PA: University of Pennsylvania Press, 2013.

of China's Digital Music Industry with Digital Music Industry of other regions. Attributes of interest can be suggested as definitions of Digital Music, historical developments and business model of Digital Music Industry, consumption concepts, attitude, and behaviour of people, societal response as regards to Digital Music; grounded on the experience and observations of an insider. These factors can be suggested to have influenced the development of Digital Music strategy management. However, it is further required to understand whether the current management philosophy can meet the actual needs of consumers. A comparative analysis can be helpful to understand the logical thinking about China's Digital Music management for the sake of identification of its unique attributes and deviations from a Western context.

This research also takes into account the difficulties faced while application of management theories in a Chinese context, in the area of Digital Music Industry, especially from the angle of strategy enveloped within the meaning of Western culture. It is further required to be examined whether the business model and development direction of Western Digital Music conforms to China's national conditions for foundation laying to verify the application of the theory.

1.2 Research Objectives

- 1) The main objective of the research is to investigate the methods for building of an appropriate critical framework for the research in terms of theories of management from the perspectives of West and China to contextualise the management in the field of Digital Music Industry in China.

- 2) Setting out of critical differences for Chinese Digital Music Industry in contrast with West keeping in view the development of Digital Music Industry in West with a focus on strategic management and business models.
- 3) To develop a methodology to address 1 and 2 above suitably.
- 4) To collect primary data and to present, analyse and interpret to infer the challenges and opportunities for managers in China's Digital Music Industry, with the help of information provided by key stakeholders.
- 5) To conclude the significant strategic approaches for managers responsible for developing businesses in China's Digital Music Industry by addressing the challenges and opportunities China poses.

1.3 Research Question

How, effectively and efficiently, management and operational systems, developed within a Western context, can be applied to the Chinese context within the field of the Digital Music Industry.

The research will explore how China's Digital Music Industry is developing and how far, given Government-determined systems, it is possible to develop new approaches to improve the

management of China's Digital Music Industry. The later Chapters will present some early evidence of management practices and some essential milestones, significant to the study of management thinking, and would examine how such thinking was evolved both in the West and China.

1.4 Context: Historical Development of Management Mindset and its Origin

The idea of management is not a new concept. Early forms of practical management concepts have been applied throughout the history for progressive advancement of society. Management has been analysed in two critical ways, by several scholars, firstly through its historical development and secondly by theme or concept.² This research begins by setting out the strengths of each approach. A thorough review and critique of the history of management thought, including management in ancient civilisations, is provided by Daniel A. Wren.³ Wren traces management back to 5000 B.C, at the time ancient Sumerians who used to record words to assist in governmental and business activities.⁴ Management played an essential role to the construction of the Egyptian Pyramids, the rise of the Roman Empire, the first large-scale

² See, for example, J. T. F. Butler. *Management: An Introduction*. Oxford: Oxford Business Publishing, 1992; Tony Dawson. *Introduction to Management*. Wirral: Tudor, 1998; John R. Schermerhorn, and David S. Chappell. *Introducing Management*. New York: Wiley, 2000; Mahmoud Ezzamel. "Work Organisation in the Middle Kingdom, Ancient Egypt." *Organisation*, vol. 11, no. 4, 2004, pp. 497-517; T. J. Hannagan, and Roger Bennett. *Management: Concepts & Practices*. Harlow: Financial Times/Prentice Hall, 2005; Angelo Kinicki, and Brian K. Williams. *Management: A Practical Introduction*. Boston: McGraw-Hill/Irwin, 2009; Morgen Witzel. *A History of Management Thought*. New York: Routledge, 2012; David Boddy. *Management: An Introduction*. Harlow: Pearson, 2014.

³ Daniel A. Wren. *The Evolution of Management Thought*, 4th edition. New York: Wiley, 2005; See for other similar views, M. K. Cowan. "Ancient Water Systems Provide Lessons for Today." *Journal of Soil and Water Conservation*, vol. 62, no. 6, 2007, pp. 11-24; S. Riad. "Organisation's Engagements with Ancient Egypt: Framing and Claiming the Sublime?" *Organisation*, vol. 15, no. 4, 2008, pp. 475-482; I. K. Katunina. "The Evolution of Managerial Culture in the Society." *Sotsial'no-Gumanitarnye Znaniia*, vol. 5, no. 3, 2011, pp. 317-321; Morgen Witzel. *A History of Management Thought*. Abingdon: Routledge, 2011; Wei Fei. "New Enterprise Management Model of Protection and Utilization for Chinese Ancient Villages." *Applied Mechanics and Materials*, vol. 209, no. 212 2012, pp. 1313-1320; George P. Prastacos, Fuming Wang, and E. Soderquist Klas. *Leadership Through the Classics: Learning Management and Leadership from Ancient East and West Philosophy*. Heidelberg: Springer, 2012.

⁴ European International Business Academy. *International Business Review: The Official Journal of the European International Business Academy*. Amsterdam: Elsevier, 1993.

urbanisation in Northern and Western Europe, and to the commercial success of Venice in the fourteenth century.⁵

Though Wren does not take note of it, ancient Chinese management ideas and the basic theoretical framework appear to emerge in the Pre-Qin period and Han Dynasty. The success of the construction of the Great Wall undoubtedly reflects ancient Chinese outstanding wisdom and superb management skills.⁶ Success in managing the construction of the Great Wall can be attributed to putting in place a rigorous project plan, a much disciplined organisation and coordination between construction material and various aspects of human resources to accomplish the project in accordance with a pre-defined schedule to ensure that the construction could be completed in a timely fashion. In addition to this, there was an enforcement of a strict quality control management system having a simultaneous standardised verification system. Moreover, before commencement of the project on an overall basis, an effective mechanism of allocation of labour was devised in advance, with subsequent simultaneous segmentation to ensure synchronisation of labour provision for different project activities. It is a great demonstration of management skills in the perspective of Chinese history.

In the early Middle Ages, the education system of Europe was monopolised by the Church. With the dawn of the development of craft trade, society was in dire need of literacy and key knowledge. Monastery schools could not satisfy this arising requirement of knowledge. Some

⁵ Barry J. Kemp. *Ancient Egypt: Anatomy of a Civilization*. London: Routledge, 1989; Karl Moore, and David Lewis. *Foundations of Corporate Empire: Is History Repeating Itself*. London: Financial Times/Prentice Hall, 2000.

⁶ Julia Lovell. *The Great Wall: China against the World, 1000 BC-2000 AD*. London: Atlantic, 2006.

of the city's craft guilds, merchant guilds and municipal research centres spontaneously founded secular schools, breaking the monopoly of the Church. According to the type of merchandise and labour migration from city to city, these schools started to impart relevant training.⁷ The emergence of European universities, in the Middle Ages, started to contribute knowledge and training to the priests and the lawmakers; key operatives of Church and State. During the 1500s, their perspective began to transform from God to Humanity, and the emergence of this mind-set gave rise to the Renaissance⁸; the point of time at which seeds of management theories were planted.⁹

However, in Chinese history, it was the Yuan Dynasty, which unified China, by the implementation of an effective period of feudal rule. This new regime also advanced the development of ancient Chinese city by developing a city-wide municipal system and by implementing specialised urban administrative management.¹⁰ Management theories, practised by Ancient Chinese governments, led to the informal development of management. The Chinese ancestors left us not only with texts but also with theories and ideas, the concept of inspiration and guidance, especially in personnel selection, organisational structure management, and government management.

Confucian management thought is probably the best-known ancient Chinese management theory.

⁷ John P. Wilson. *International Human Resource Development: Learning, Education and Training for Individuals and Organisations*. London: Kogan Page, 2012.

⁸ Robin Kirkpatrick. *The European Renaissance, 1400-1600*. Harlow: Longman, 2002.

⁹ John Child. "A History of Management Thought." *Asia Pacific Business Review*, vol. 19, no. 1, 2013, pp. 151-163; David Boddy. *Management: An Introduction*. Harlow: Financial Times/Prentice Hall, 2005.

¹⁰ Fritz-Heiner Mutschler, and Achim Mittag. *Conceiving the Empire: China and Rome Compared*. Oxford: Oxford University Press, 2008.

It advocated ceremony as a national governance guideline and asked people to operate at all levels by national identity.¹¹ Thus Confucius gave a clear demarcation between administrators and supervisees; rulers and the individuals being ruled. Moreover, he believed that these were managers who were required to enable people to progress by sticking to a set route by following guidelines and examples set by the managers, considering it unnecessary to advise them why. This management practises proved effective at that time. However, this strategy focused on the systems.¹² In short, Confucius's core idea is people-oriented management strategy; he prioritised such a management strategy which had people at its heart by committing to the expansion of educational aims for personnel development. His thoughts about management, both in material and spiritual terms, were based on continuous improvement. It can be suggested to have relevance for the sake of discussion on Creative Industries for Digital Music Management in China.

Ancient Chinese Management thinking may be divided into three parts: Ruling, Living, Self-Cultivating.¹³ Ruling was meant to deal with activities throughout the community, the state management relationships, namely "statecraft." It was the governance model throughout the country dealing with the basic ideas and guiding ideology for the society, and used to deal with

¹¹ Marc J. Dollinger. "Confucian Ethics and Japanese Management Practices." *Journal of Business Ethics*, vol. 7, no. 8, 1988, pp. 575-584; Stuart Crainer. "Confucius, Cowboys and Cosmetics (for Bulldogs): An Interview with Rosabeth Moss Kanter." *Business Strategy Review*, vol. 14, no. 1, 2003, pp. 45-52; Gui-xiang Jiang. "Application of Confucian Management Methodology in Management of Libraries." *Zhonghua Yixue Tushu Qingbao Zazhi/Chinese Journal of Medical Library and Information Science*, vol. 19, no. 5, 2010, pp. 31-36; L. Laulusa, and J.Y. Eglem. "The Impact of Confucian Values on Management Control Process in a State-Owned Chinese Enterprise." *Comptabilité Contrôle Audit*, vol. 17, no. 3, 2011, pp. 7-29; Connie Zheng. "From Ancient Chinese Sages to Modern People Management Principles." *Asian Business and Management Practices: Trends and Global Considerations*, vol. E, no. 1, 2015, pp. 27-40.

¹² This is very similar to the bureaucratic approach, which has been discussed in Chapter 2.

¹³ Confucius and Mencius (Kong qiu and Meng ke). *Four Books and Five Classics (Si Shu Wu Jing)*. Beijing: China Publishing Company, 2006; Dong Kong, and JunJie Zhang. "The Research on Chinese Ancient Management Philosophies' Similarities with Contemporary Human Resources Management Thoughts." *Chinese Management Studies*, vol. 5, no. 4, 2011, pp. 368-379.

administrative affairs, military, production, marketing, currency, money matters, personnel, water transport and other aspects of knowledge management. Living aspect of ancient Chinese management can be suggested as to ensure the development of products for the sake of a better economic operation of the government to develop people through gradual accumulation of assets by practising this aspect of ancient Chinese Management strategy. It included the development of agriculture, arts and crafts, transport, construction, and of commercial aspects related to these sectors besides other aspects of business management knowledge. The Self-Cultivating aspect may be related to strategy formulation regarding employers, motivation, public relations, preparation, rewards and punishments, besides other aspects of learning.¹⁴

Some ancient military strategists' planning provided resources for secular management in China. For instance, the Chinese General Sun Zi in sixth century BC, in his *The Art of War*, recommends being aware of and acting on strengths and weaknesses of both a strategist's (manager's) and of a foe's strategising.¹⁵ This book is still used as a management tool in war strategies. *Nine Chapters on the Mathematical Art*, the ancient Chinese training manual for managers and their everyday business, where two-thirds of the subject was meant to train officials for financial and engineering functions of their job and it can be suggested as the best management strategy, based

¹⁴ Jiajiu Lee. "Collection Management and Use in Ancient Chinese Libraries [in Chinese]." *Journal of Educational Media and Library Sciences*, vol. 25, no. 1, 1987, pp. 112-127. Marc Sardy, and Ilan Alon. "Understanding Chinese Management Needs through Ancient Chinese Philosophy." *International Journal of Business and Globalisation*, vol. 3, no. 2, 2009, pp. 207-213; Che Wu., Mengxi Qiao, and Sisi Wang. "Enlightenment from Ancient Chinese Urban and Rural Stormwater Management Practices." *Water Science and Technology*, vol. 67, no. 7, 2013, pp. 1474-1480.

¹⁵ Giri Deshingkar. "Strategic Thinking of Kautilya and Sun Zi." *China Report*, vol. 32, no. 1, 1996, pp. 1-14; Sun Tzu, and Chow Hou Wee, *Sun Zi Art of War: An Illustrated Translation with Asian Perspectives and Insights*, Singapore: Pearson Prentice Hall, 2003; Luis R. Gomez-Mejia; David B. Balkin and Robert L. Cardy. *Management: People, Performance, Change*, 3rd edition. New York: McGraw-Hill, 2008, pp. 19.

upon mathematics and it dates to two millennia ago.¹⁶

There are instances which confirm that China, whilst still a feudal society, demonstrated outstanding talent as regard to management strategies and inherited valuable experience. During the warring states period, the famous “Shang Yang reform” exhibits that, how through a reform, management can be improved. The Rule of Wen and Jing (named after the two Emperors of this particular era) brought in the national political stability and economic prosperity. Also, the construction of the Great Wall exhibits a great management strategy, encompassing surveying, planning, design, a high level of construction and project management, with highly skilled project leaders. Dujiangyan and other large water conservation projects having been linked to integrated planning for flood control, irrigation and navigation, shows extraordinary Chinese management strategies in the areas of engineering, construction, and organisation management.¹⁷

There are many management practices which reflect ancient Chinese management wisdom; still regarded as exemplary even today. From 221 BC to 1912, ancient Chinese management practices integrated management and administration.

Management practices were all administrative ones owing to ancient China being an agricultural economy and administration being the most important mode of social management; as such, an administrator was supposed to manage and monitor social activities. Accordingly, local

¹⁶ Lam Lay Yong. “Jiu Zhang Suanshu (Nine Chapters on the Mathematical Art): An Overview.” *Archive for History of Exact Sciences*, vol. 47, no. 1, 1994, pp. 41-51; Barnabas Hughes. “Ancient Chinese Method for Solving Quadratic Equations.” *Ohio Journal of School Mathematics*, vol. 44, no. 1, 2001, pp. 14-36.

¹⁷ Che Wu, Mengxi Qiao, and Sisi Wang. “Enlightenment from Ancient Chinese Urban and Rural Stormwater Management Practices.” *Water Science and Technology*, vol. 67, no. 7, 2013, pp. 1474-1480; Anonymous. “Chinese Entrepreneurs Focus on Innovation: Ancient Philosophy Promotes Economic Development.” *Strategic Direction*, vol. 30, no. 1, 2014, pp. 7-10.

Government administrative processes may demonstrate management practices. Broadly speaking, ancient Chinese management practice was management through experience and its success largely depended upon an individual's management or decision-making quality. The more knowledge, ability and experience a manager had, the more likely he would have practised effective management. Management practices and personal experience were inseparable.

During the Industrial Revolution, profound societal changes accompanied the advancements in the manufacturing of goods and can be suggested as a cornerstone for advancements in Europe. However, at the same point of time, China started to enforce a policy called "Cut off Country from Outsides" (Isolationism or autarchy) in 1655.¹⁸ It is one of the reasons for lagging of modern China from Europe as Europe was advancing through its industrial revolution whereas China was isolating itself from rest of the world, enforcing "Cut off Country from Outsides".

During the European Industrial Revolution, machines enhanced the modernisation of factories. Factory and company management surfaced as a prominent feature and management theory began to evolve gradually. The idea of efficient production through specialised task management and efficient allocation of labour was developed by Adam Smith in 1776. This stage is the initial stage of classical management theory. At this stage, people focused on functional management meant to enhance business efficiency. However, there was little consideration of psychological

¹⁸ *Sina News*. "Looking Back at History: China's Complete Retreat in 1757." 2006. news.sina.com.cn/c/2006-05-23/12299943559.shtml. Accessed 27 Jul. 2019.

factors.¹⁹

In the late 1840s, the railway construction in the United States witnessed a boom. It can be suggested to lead to some form of organisational innovation. Railway enterprise management needed professional training; therefore, payroll managers began to appear, and modern professional management classes formed. Also, the organisation and management of innovative railway companies led to the organisation and management of innovative manufacturing enterprises. The railways led to the Management Movement in the US.

In China's case, in response to calamities within the British Empire and threats from imperialism, the Self-Strengthening Movement was an institutional reform in the second half of the 1860s. According to some scholars, China began to learn some advanced technologies and theories from western countries.²⁰ Moreover, in terms of organisational management theory, although this did not form a complete theoretical system in ancient China, referring to ancient wisdom and sayings enriched the Chinese management theory.²¹ Due to rebellions and wars, however, hardly any management theory developed in China.

¹⁹ Keith Grint. *Leadership: Classical, Contemporary, and Critical Approaches*. Oxford: Oxford University Press, 1997; Jin Chen, and Wang Anquan. "Challenge of Innovation to Classic Business Management Theories." *Change Management and the New Industrial Revolution*, vol. 1, no. 9, 2001, pp. 201-205; John R. Schermerhorn. *Exploring Management in Modules*. Hoboken, N.J: Wiley, 2007; G. A. Cole, and P. Kelly. *Management: Theory and Practice*. Andover: South-Western Cengage Learning, 2011.

²⁰ Andrew G. Walder. "From Control to Ownership: China's Managerial Revolution." *Management and Organisation Review*, vol. 7, no. 1, 2011, pp. 19-38.

²¹ Chao-Chuan Chen, and Yueh-Ting Lee. *Leadership and Management in China: Philosophies, Theories, and Practices*. Cambridge: Cambridge University Press, 2008; J.B. Barney, and Zhang, S.J. "The Future of Chinese Management Research: A Theory of Chinese Management Versus a Chinese Theory of Management." *Management and Organisation Review*, vol. 5, no. 1, 2009, pp. 15-28.

By the 1970s, China began to combine Western management theories with Chinese characteristics to formulate a management theory adaptable to Chinese culture and practices. In 1978, the Chinese government formulated its “industrial thirty clauses” policy, in an attempt to correct and supersede the previous management errors. On an important note, it prompted the reforms and development of Chinese industry, promoting industrialisation.²² Since the 1990s, with the development of the economy and knowledge becoming an important strategic resource, the development of information technology also provided access to the resources. Customers were personalised. Diversified consumption meant that businesses could only survive and develop through the rational organisation of the world’s resources to secure customers in a global marketplace. Such a scenario turned management theory research and development more dynamic.

A review, from the perspective of research, on management thinking and its development history, demonstrates that the development of management is closely related not only to the development of the cultural, historical contexts but also on the level of development of productive social forces, the degree of understanding of people and production methods. The evolution of management thinking in the East and the West can be very different owing to specific regional and national cultural characteristics.

Furthermore, semantic differences, different application contexts and circumstances,

²² Yaping Xu. “30 Rules in Industry.” *China Economic*, 2009. www.china.com.cn/economic/zhuanti/ggkf30/2008-11/11/content_16746529.htm. Accessed 13 Apr. 2018

misunderstanding of management principles and some other reasons are all likely to cause the alienation of management theory in practice. It is the so-called “failure to accommodate local conditions”. This alienation requires enterprise managers to adapt the theories to actual conditions in practice. However, it does not mean that the general management theory cannot be applied in practice. Meanwhile, it is worth noting that people of different cultural backgrounds will also have different interpretations of the theories. As Heyman points out:

“The explicit notion of culture used in most studies of intercultural communication is shared knowledge of how to behave and recipes for understanding experience in specific ways. It is shared knowledge confined to specific groups which create problems in understanding across groups”.²³

When it is required to analyses management theories that have emerged in other cultural contexts, it is essential to have a basic understanding of the culture first to develop the capacity of finding similarities and differences in thinking patterns from the root.

1.5 Research Contexts

According to Erik Qualman, at a global stage, the cultural and creative industries have demonstrated that they are able to maintain a steady growth worldwide, even during the recent economic downturn and have become an important global indicator of national competitive

²³ Richard Heyman. “The Ontology and Epistemology of Society, Culture and Meaning in Intercultural Communication.” *Journal of Multicultural Discourses*, vol. 12, no. 2, 2017, pp. 110-119.

advantage.²⁴ Therefore transforming or developing China's Creative Industries into a pillar of the national economy has become a strategic goal for China's cultural development.²⁵ Ever since the invention of the internet, music and technology have worked hand-in-hand, and technology is continuing to catapult music to unprecedented heights.²⁶ With the rapid development of network technology, there has been a fundamental alteration of the mode of transmission in Music Industries.²⁷ The traditional record industry is built on a set of content production, sales and derivative systems built around music record companies, and business model of traditional record industry is quite clear. The Internet shattered the system of the traditional recording industry, making both contents produce and business model fragmented. The traditional music business model lost its original "identity" with a resultant blurred stream of profit revenues.

Additionally, because of the internet and other digital networks, music has made a more important place in the global market. The music industry trend is redefined constantly with music fans, artists and music communities driving the business rather than the corporate power working as a driving force. However, while the demand for music is constant, Digital Music has changed the traditional business model. With the help of data, it can be verified that the rapid popularisation of smartphones has brought more application scenarios for music playback; 57.9%

²⁴ Erik Qualman. *Socialnomics: How Social Media Transforms the Way We Live and Do Business*. Hoboken, N.J: J. Wiley & Sons, 2013.

²⁵ *The Central People's government of the People's Republic of China*. 2012
www.gov.cn/zwggk/2012-07/20/content_2187770.htm. Accessed 27 Jul. 2019.

²⁶ David Kusek, and Gerd Leonhard. *The Future of Music: Manifesto for the Digital Music Revolution*. Boston, MA: Berklee PressPublications, 2005.

²⁷ Ram D. Gopal, Sudip Bhattacharjee, and G L. Sanders. "Do Artists Benefit from Online Music Sharing?." *The Journal of Business*. Vol. 79, no. 3, 2006, pp. 1503-1533.

of users use mobile phones to listen to music while riding vehicles and 37.8% of users use mobile phones to listen to music while being outdoors.²⁸ This heralds a new era for music.

Fundamental changes in the digital era have brought about the altered patterns of consumption, new attitudes and behavioural habits towards music consumption.²⁹ These changes are leading to the development of a strategy, in the global music industry business, in an increasingly competitive environment, but there is also a demand for creative copyright protection, which have an impact on the sustainable development of the Digital Music Industry.³⁰

1.6 Rationale of the Research

The inception of Digital Music put the traditional music industry in great turmoil. Technology brought powerful and disruptive changes to the companies dominating the traditional music industry.³¹ Penetration of Digital Music in the music market of China³² dwindled the profits of the big Chinese record labels while leading to a virtual collapse of markets of recorded music in many other parts of the world. However, the Chinese music industry always demonstrated a different situation, in contrast with the West, because of copyright issues. China is famous for

²⁸ Sudip Bhattacharjee, et al. "Digital Goods and Markets: Emerging Issues and Challenges." *ACM Transactions on Management Information Systems (TMIS)*, vol. 2, no. 2, 2011, pp. 8.

²⁹ Jesse C. Bockstedt, Robert J. Kauffman, and Frederick J. Riggins. "The Move to Artist-led Online Music Distribution: A Theory-based Assessment and Prospects for Structural Changes in the Digital Music Market." *International Journal of Electronic Commerce*, vol. 10, no. 3, 2006, pp. 7-38

³⁰ Sudip Bhattacharjee, et al. "Re-tuning the Music Industry: Can They Re-attain Business Resonance?" *Communications of the ACM*, vol. 52, no. 6, 2009, pp. 136-140.

³¹ Sudip Bhattacharjee, et al. "The Effect of Digital Sharing Technologies on Music Markets: A Survival Analysis of Albums on Ranking charts." *Management Science*, vol. 53, no. 9, 2007, pp. 1359-1374.

³² Diming Tang, and Robert Lyons. "An Ecosystem Lens: Putting China's Digital Music Industry into Focus." *Global Media and China*, vol. 1, no. 4, 2016, pp. 350-371.

rampant levels of piracy, which the IIPA estimates at 95% in the case of physical formats and 99% for digital ones.³³ One of the biggest problems for the local music industry is due to the expectation of Chinese consumers to enjoy music for free or on an extremely cheap rate. There are elements of culture and innovations, whose contribution, in managing the business of Digital Music is quite questionable and it has partly been articulated within the academic research in a Chinese context as western management theories tend not to integrate China's experience.

When it comes to research on people and cultural backgrounds, for the sake of formulation of efficient strategy management, it is necessary to pay attention to the localism and traditions of variance. Core theme of this study is to understand whether it is necessary to develop a science for the formulation of a management strategy for Music Industry of China or Western management theories can easily be adapted to a Chinese context. The researcher believes that to understand the application of management theory more comprehensively. It is necessary to understand the differences between Chinese and Western thinking before the comparison of business models of Digital Music; being in practice. Understanding of "what is Digital Music, in actual, in China?" besides its difference from the Digital Music Industry of West would be the starting points. It would be followed by "What is the demand of Chinese consumers" and "How do Chinese managers respond to this demand in Digital Music management?" After the establishment of this kind of cognition, an in-depth analysis of the development of the Digital Music Industry within two different cultural systems; China and West, can be carried out. The

³³ *Music Ally Report*. 2013

musically.com/2013/06/12/music-ally-report-321-bundle-bungle. Accessed 27 Jul. 2019

analysis would consider many factors such as history, economy, politics, culture and technology. Therefore, it is valuable to find out which factors may influence the efficiency of management implementations in to improve operations of China's Digital Music Industry and how Chinese managers can strategise the Digital Music Industry in China with the help of these factors.

In academic research, a lot of work has been done on the management of creative cultural industries and cross-cultural management. But when it comes to the Digital Music, most of the academic papers, discuss issues being faced by Digital Music technology (Information Retrieval, Data Mining, Digital Libraries) or focus on copyright and piracy. Some academic studies contribute towards business value, electronic commerce or competitive strategy. If business models or strategic management are taken into account, the main research direction is towards Western Digital Music industries and market-related business models.

In contrast, China's Digital Music Industry has been given a very least attention by the academic researchers. It would be interesting to note while researching the Chinese Digital Music Industry, whether its definition has similar meanings as of other Digital Music industries. In Western countries, the Digital Music Industry has evolved over thirty years; the United States and Europe are on the leading edge, whereas Digital Music Industry of China has started to evolve for about ten years.³⁴ The Digital Music market in China has not equated yet with the mature traditional music market (record business). Therefore, Chinese consumers have very different demand for

³⁴ Guy Morrow, and Fangjun Li. "The Chinese Music Industries: Top Down in the Bottom-up Age." Massachusetts: Edward Elgar Publishing, 2016.

music and music services in contrast with the West. It is a crucial point in the academic research of Digital Music in China. In particular, how strategic management regulates the development of China's Digital Music Industry and what Chinese characteristic may influence this regulation, have not much been explored. Thus, there is no or less evidence of any previous research from the perspectives of an insider's views; drawing comparison and analysing the differences between Chinese and Western Digital Music Industry from three aspects; 1) Differences in thinking models to ascertain the mismatches in theoretical formation and needs; 2) Differences between management theory and between business models, pertaining to Digital Music Industry Of China and West; 3) Business model differences in both regions which lead to differences in market demand and strategic management approach in West & China. This research has focused on the application of scenarios of western management thinking in China from these three aspects, which also try to explain the connections and interactions between these three aspects.

The Digital Music development environment has undergone fundamental changes in China. The challenges brought by digital era and the societal transformation driven by knowledge are unprecedented changes. Increasing evidence suggests that the factors affecting corporate performance have shifted from internal to external and innovation has become a fundamental requirement.³⁵ There is a considerable evidence that the management challenge for Digital Music has become even more significant due to four reasons; 1) the content of organisational

³⁵ Innocent Otache, and Rosli Mahmood. "Corporate Entrepreneurship and Business Performance: the Role of External Environment and Organisational Culture: A Proposed Framework." *Mediterranean Journal of Social Sciences*, vol. 6, no. 4, 2015, pp. 524; Frank T. Rothaermel. *Strategic management*. New York City, NY: McGraw-Hill Education, 2017.

performance has changed; 2) the source of management efficiency has changed; 3) the model of enterprise development has changed; 4) the most crucial change is that consumer habits have changed. At present, the phenomena of cross-cutting and merging of various disciplines in the field of social sciences are becoming increasingly apparent, especially for the field of Digital Music management, which is still in the development process. The Digital Music Industry in China is also the result of the integration of multiple industries.

The foremost problem is the fact that people's demand for music is fixed, but there has been an increasing demand for music services or value-added services and related products. Especially, the development of science and technology has increased the rate of such kind of demand tremendously. Consumers' cultural background and living standard/ environment are the core of influencing people to generate and fulfil the need of music services.

This study is designed to examine the management approaches, which have been employed within the Digital Music Industry base in China's unique Digital Music business model. The study begins by building a theoretical framework of management and its development based upon the experience of theories and philosophy of management in the Chinese context. This research further builds on by testing these theories by undertaking the primary research in a Chinese context in the Digital Music Industry to analyse the changes and growth of Digital Music management in China from the external environment perspective and a case study of QQ Music.

The policy guidelines, dealing with the music industry in China, have been quite unpredictable. Since 2014, the researcher has been tracking the development of QQ Music, which is also the core objective of this research in this thesis. Until now, the researcher's investigation reveals that the year 2016 was the watershed of the development of the Chinese Digital Music Industry, with the establishment of Tencent Music Entertainment (TME) Group. Since 2017, the digital media industry, within China, experienced a considerable change due to the establishment of TME and its partnership with China Music Corporation. In addition, a series of new copyright cooperation agreements and the macro regulation and control of the new policies of the Chinese government have significantly changed the development of China's Digital Music Industry.

One primary problem with China's Digital Music Industry is to build the right attitude towards the changes to continue a struggle to go forward unrelentingly by understanding and adapting to these changes in a right way, by detecting these changes timely, and by counteracting the challenges posed by these changes in an active way. For understanding, the research not only compares the differences between China and the West but also combines the logical thinking of China and West to understand and analyses Digital Music worldwide.

Since Chinese thinking is self-conscious and pragmatic, it emphasises to understand and grasp the dynamic function, structure and trend of things through the motion mode of dynamic complex system and the law of interaction. The researcher draws on an industry insider's perspective, which combines Chinese dialectical thinking with interpretivism to demonstrate and analyses the Digital Music Industry in China and the West.

This research will consider the development of market notions within policy-driven development of the Digital Music business and the development of a “Made in China” Digital Music Industry framework. This research has focused on the exploration of the potential factors that affect the management of the Digital Music Industry while recognising the impact of the external environment.

This research also explores the operational requirements, related to strategic management, understood by the Chinese government, and whether these requirements changed during the different stages of development of China’s Digital Music Industry. The research is expected to theories the development of practical management framework for China’s Digital Music Industry as well as to develop a collaborative theoretical foundation for the companies, organisations and practices that are relevant to Digital Music in a Chinese context.

The research undertakes the primary source analysis of strategically important official documents relating to the development of China’s Digital Music Industry. The principal method of primary is a qualitative approach for the purpose of data gathering and analysis. It involves the interviews of key stakeholders of companies (large, telecoms based; large internet provider based, small independent; musician collectives) which are currently operating in the Chinese music industry. The interviewees also include music industry professionals; senior executives in China’s Digital Music Industry, government officials involved in the formulation of intellectual property (IP) laws in China. All this input would bring new insights of the policy formulation strategy of Chinese music industry and how these are being applied. Thus, the gained information

can be suggested as more referential and researcheritative. It would also enable the readers to evaluate the effectiveness of outcomes by relying on the multiple disciplines studied in this research. These interviews will be presented, analyses and interpreted to explain how the management of China's Digital Music Industry has evolved into the current models. It will also contribute towards a unique perspective on the Digital Music Industry in a Chinese context and how it should be managed given the different context to that of West; the origin where theories have been developed.

The research also brings forward the comparative management approach for a newly developing industry, strategic management in particular. It is valuable to seek new insights into advanced business models and management theories which is set to enhance the study of China's Digital Music Industry and which may provide the practical assessment of good practice in a Chinese context to inform management practices. The discipline of Digital Music management has yet to gain popularity in Chinese universities. The further investigation is the study of the effectiveness of corporate functioning of strategic management framework and the business models developed in Digital Music. The research aims to add to knowledge in this field and offers work of interest to fellow academics and practitioners.

1.7 Structure Outline

The study adopted a chronological approach and encompassed the following:

- Development history based upon three timelines,
- Development of management theories and logic in China and the West,
- Development of Digital Music at a global stage,
- Development of China's Digital Music Industry, including setting up of a critical introduction to management, in historical and intellectual context.

The research systematically summarises the development of management theories (firstly by historical development and secondly by theme or concept of management) by reviewing the research systematically summarises the development of management theories (firstly by historical development and secondly by theme or concept of management) by reviewing the worldwide literature on management research. It starts with the “revelation” of ideological changes, observed differences, and theoretical developments through empirical observations of data and analysis. The research seeks to build an understanding of how management and operational systems, developed in a western context, can be effectively applied to a non-western background. This research undertakes the analysis of how differences in management thinking are formed and examines how these have led to differences in management theory. More specifically, regarding strategic management, an attempt has been made to understand which factors affect the implementation and formulation of strategic management. This lays a foundation for the subsequent analysis of the strategic management theory.

Secondly, the researcher undertook a literature review of the historical development of Digital Music in China from 1988 to 2015. This incorporates an introduction to the study of Digital

Music history through an overview of two historical periods: before and after 2003. To facilitate subsequent research and to help the reader to understand easily, the research begins with a full interpretation of the definition of Digital Music. Then it summarises the technological development of Digital Music and clarifies the causes of changes in the Digital Music Industry. Digital Music is more like a technical product which is directly controlled by the changing technology. Accordingly, the construction of a certain degree of the theoretical framework of technological development is very important at this point. Then, drawing from reliable and scholarly sources, this research comprehensively analyses the crucial evolutions and progress in the development of Digital Music. This research also examines the development of the framework of the Digital Music Industry worldwide, in order to facilitate, in the later chapters, a comparison with the tendencies and trends emerging in China.

Each phase of the development of Digital Music in China has been explained in detail, including the background environment, the way Digital Music operates as a business model, and the interpretation of each significant change. Through the timeline approach, the research provides a straightforward way to understand what the Digital Music Industry is and how it has developed up to the present. The historical approach provides a way of acknowledging practical management development and specific Chinese ways of thinking, which are extremely relevant to a consideration of how management theory can be adapted to the Chinese context in order to work more effectively.

The research begins with a review of the Digital Music Industry in a Chinese context. Although

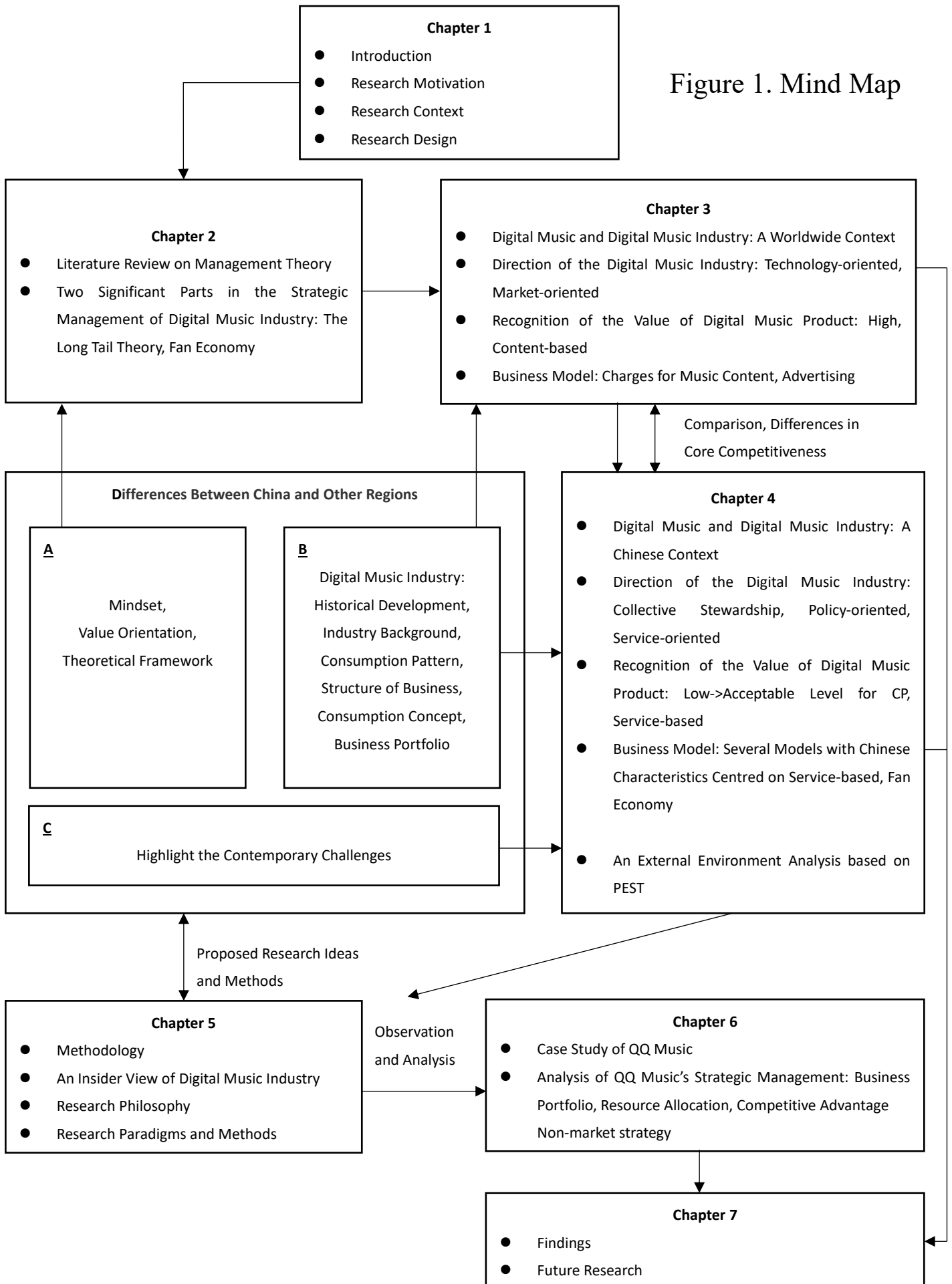
the Digital Music Industry is relatively young in China, it is developing quickly; academic research exploring its expansion, however, is still relatively rare. While much information is available on the network, there are few formal academic papers related to insider's view research focus. Most of the data used in the present study needed to be verified before being employed for analysis. Because of this, the researcher began to undertake primary research, using archive sources to fill the gap, and completed a timeline of China's Digital Music development from 1999 to 2015.

The research does not look for a single answer, nor a single study which can conclude the topic being explored in this research. It is to grasp the differences in thinking logic under different cultural backgrounds, analyse how problems are formed and deepen the understanding of the development trend of China's Digital Music Industry. The research is supplemented by archival sources and specialist trade reports or interviews on the topic. These sources only have a Chinese version, so the interpretations made with the help of this research may be considered as core content material available for the first time in English on the specific topic being explored in this research. The PEST method was employed to analyse the impact of the external environment on China's Digital Music Industry and to investigate the trend problem. Moreover, the research constructs a similar mindset, which fit the research context, in order to understand and examine the practicality of the theories, and tests its reliability from the perspective of strategic management in the Chinese context. At the end of this chapter, Figure 1 is a mind map, which

can help understand the framework and design of this research.³⁶

³⁶ Completed by researcher.

Figure 1. Mind Map



Chapter 2 Management Introduction in Terms of Present-Day Theory and Its Historical Foundations

This Chapter aims to set a critical introduction enabling conceptualisation of management, in a historical and intellectual context. It will review the literature on management research in the context of West and available Chinese or Asian regions to develop management approaches which can be suggested as suitable to the Chinese Digital Music Industry. This Chapter will present some early evidence of management practice and some important milestones, significant to the study of management, to examine how that thinking was developed in the West and to establish a basis for judgment about its suitability for a Chinese context. This Chapter will analyse management theories-Some of the theories are based on assumptions which might seem simple or unimportant for Western countries at present, but these were ground-breaking at the time of their inception. The origin of the theory structure can reflect the way of thinking, which is conducive to deepen the relationship between management and actual practice. The Chapter displays evidence of management practice in China as a reference to previous importation into China of western philosophical and management ideas. These provide contextualisation and act as a bridge between Chinese and Western approaches. It is aimed to consolidate, conceptualise and justify Western theories in order to make explicit how they apply in the Chinese context.

As mentioned in Chapter1, due to a particular historical background of China, specialty being attributed to feudal society and war of resistance against aggression, there are few shreds of evidence of the development of certain Chinese concepts of management and these have been

presented at appropriate intervals in this Chapter.³⁷

2.1 Outline of History Development

In the 1860s and 1870s, the United States, Germany and other countries started the second Industrial Revolution which further promoted production development, use of energy and further expanded the scale of various industries. New industrial steel, machinery, chemicals, rubber, automobiles, glass, communications and other emerging sectors began to overlap. These new industries needed to operate on a large-scale, they required technical know-how, accurate planning, and quickly started to require management practices.

The joint-stock enterprise system extended from the railway industry to the professional managers working in various industries, and it resulted in the emergence of a new social class (called the Managerial Revolution).³⁸ Innovative organisations now needed to employ a new management theory to guarantee control. Professional managers engaged in the systematic study of management theory as it emerged as an independent field. Management ideas and theories started to spread through the academic community - associations, publications and meetings, and it further developed this field. Managers were nurtured through university education, as well as through practical experience.

³⁷ Michael Dillon. *China: A Modern History*. London, England: Tauris, 2014.

³⁸ Alfred D. Chandler, and American Council of Learned Societies. *The Visible Hand: The Managerial Revolution in American Business*. Cambridge, Ma: Belknap of Harvard UP, 1977; John Scott, and Gordon Marshall. "Managerial Revolution." *A Dictionary of Sociology*. Oxford: OUP, 2009.

In the twentieth century, factories continued to practise the traditional management approach, relying on the experience of owners and through increasing working hours and by pushing workers to the limits. However, as the workforce increased conflict between employers and employees grew. Better production management systems were needed. Such a situation compelled management practitioners to evolve a set of scientific management methods and managed publication of *Principles of Scientific Management* in 1911.³⁹ It offered three principles for production management; planned, standardised and unified management instead of the conventional rule of thumb. It laid the theoretical foundation for scientific management, discussed later in this Chapter.

Taylor's followers made a significant contribution to the field of management. Henry Gantt created a "Gantt Chart" and proposed a "bonus remuneration system"; Frank Bunker Gilbreth, in the construction industry, contributing towards the development of science and management, making a unique contribution to action research.⁴⁰ He aimed to eliminate waste and to attain desired results within the least time and effort. His findings are an essential part of management theory. Henry Ford and others made mass production a mainstay of the emerging US economy.

Since then, the science and practices of management have been on a rapid and continuing

³⁹ Frederick W. Taylor. *Scientific Management: Comprising Shop Management, the Principles of Scientific Management [and] Testimony Before the Special House Committee*. London: Harper and Row, 1964. His principles were involved in 1913.

⁴⁰ Peter B. Peterson. "Training and Development: The Views of Henry L. Gantt (1861-1919)." *SAM Advanced Management Journal*, vol. 52, no. 1, 1987, pp. 20-44; Jane Morley. "Frank Bunker Gilbreth's Concrete System." *Concrete International*, vol. 12, no. 11, 1990, pp. 57-62; W. Bodmer. "Principles of Scientific Management." *Faseb Journal: Official Publication of the Federation of American Societies for Experimental Biology*, vol. 7, no. 9, 1993, pp. 723-744; Dennis Karwatka. *Frank Gilbreth and Production Efficiency*. Ann Arbor: Prakken Publications, 2006; Daniel A. Wren. "The Centennial of Frederick W. Taylor's the Principles of Scientific Management: A Retrospective Commentary." *Journal of business and management*, vol. 17, no. 1, 2011, pp. 11-22.

development curve. The origin of behavioural science theory can be traced in the 1930s owing to the expansion of production scales and requiring advanced management methods. Evolving competitive markets, with scientific management methods in place, but with a little attention to the human resources and so exhibiting poor outcomes, prompted researchers to explore the field of human behaviour management, bringing forward various behavioural science management theories.⁴¹

In the 1960s, environmental fluctuations and the Vietnam War resulted in a fluctuating exchange rate. The competition from Japan and Europe, along with the oil crisis, lead the US economy in a challenging position. It drew the attention of scholars to focus on how to adapt to the challenging situation and as an outcome, strategic management theory developed.⁴²

2.2 Conceptual Development of Management.

From the perspective of research, management research and literature has heavily concentrated on all aspects of organisational and managerial performances, and the skills, knowledge and expertise required for such performances and on placements in management positions and

⁴¹ Samuel P. Hayes, Jr. "Behavioral Management Science." *Management Science*, vol. 1, no. 2, 1955, pp. 177-189; See for others Edwin H. Caplan. *Management Accounting and Behavioral Science*. Reading, MA: Addison-Wesley, 1971; P. J. Sadler. "The Impact of Behavioural Science on Management." *Electronics and Power*; vol. 18, no. 3, 1972, pp. 99-103; Ken Shackleton. "Management Accounting and Behavioural Science." *Managerial Finance*, vol. 2, no. 3, 1976, pp. 270-283; A. G. Cowling, and Richard Boot. *Behavioural Sciences for Managers*. London: Edward Arnold, 1988.

⁴² S. Lewis. "Management Report: Survival through Strategic Planning." *Hospital Management Quarterly: HMQ*, vol. 2, no. 1, 1981, pp. 11-33; David C. Dougherty, *Strategic Organisation Planning: Downsizing for Survival*. New York: Quorum, 1989; Juha-Antti Lamberg, et al. "Competitive Dynamics, Strategic Consistency, and Organisational Survival." *Strategic Management Journal*, vol. 30, no. 1, 2009, pp. 45-50; Gregory G. Dess., G. T. Lumpkin, and Alan B. Eisner. *Strategic Management: Creating Competitive Advantages*. Boston: McGraw-Hill Irwin, 2010.

responsibilities.⁴³ Numerous studies suggest management as a body of knowledge, expertise and skills, which are required to be applied as the work of individual managers in a particular organisation; and as needed to conduct certain activities in certain particular environments.⁴⁴ Management is both a universal human activity and a professional occupation.⁴⁵ Its purpose is to create wealth by adding value to the resources. The managers achieve such objectives by influencing others to achieve such objectives.

Management thinking began to develop in tandem with events occurring in various industries. Before the Industrial Revolution, as mentioned earlier, there was a little focus on exercising the management— that means, there was no one to coordinate, organise, control, and plan other than the owners.⁴⁶ Compared with the development of ancient Chinese management thinking, such as the management responsibility system is used in management thinking of building the Great Wall.⁴⁷ In the centralised system of bureaucracy, management research is more about learning and developing from the aspects of human nature and organisational system and structure. In a Europe a few organisations, like the Church or the Military, demonstrate recognisable managerial practice. Only glimmers of what was to come appeared in the work of thinkers such as Adam

⁴³ See for examples, Peter F. Drucker. *Management Challenges for the 21st Century*. New York, NY: Harper Business, 1999; Richard Pettinger. *Introduction to Management, 4th Edition*. Basingstoke, Hampshire: Palgrave Macmillan, 2007.

⁴⁴ Richard Pettinger. *Management: A Concise Introduction*. Basingstoke, Hampshire: Palgrave Macmillan, 2012, pp. 3-18.

⁴⁵ David Boddy. *Management: An Introduction*. Harlow, Essex: Pearson, 2014.

⁴⁶ Bernard W. Taylor. *Introduction to Management Science*. Upper Saddle River, NJ: Pearson/Prentice Hall, 2007. See among others, Carlo M. Cipolla. *Before the Industrial Revolution: European Society and Economy, 1000-1700*. London, England: Methuen, 1981; A. E. J. Morris. *History of Urban Form: Before the Industrial Revolutions*. New York, NY: Longman Scientific & Technical, 1994; Daniel A. Wren. *The History of Management Thought*. Hoboken, N.J.: Wiley, 2005; Morgen Witzel. *Management History*. London, England: Henry Stewart Talks, 2010; Morgen Witzel. *A History of Management Thought*. Abingdon, VA: Routledge, 2011.

⁴⁷ Kevin Lo, and Snezhina Michailova. "Lessons from Beyond the Great Wall: What Cross-cultural Management Researchers Can Learn from the Middle Kingdom." *European Journal of Cross-Cultural Competence and Management*, vol. 1, no. 2, 2010, pp. 188-196.

Smith, a Scottish moral philosopher, in *The Wealth of Nations*, discussed efficient organisation of work through division of labour to increase productivity.⁴⁸ With the changing workplaces in the eighteenth and nineteenth centuries, military theory and practice also contributed towards the approaches to manage the newly established factories. Given the scale of most commercial operations and the lack of mechanised record-keeping and recording, before the Industrial Revolution, it made sense for owners of the most of enterprises in those times, to carry out management functions solely by themselves. Industrial Revolution changed this practice. John Stuart Mill provided a theoretical background to resource-allocation, production, and pricing issues.⁴⁹ To coordinate these larger organisations, owners were required to depend on others; termed as “agents” by the economists and as “managers” by the others. Due to the execution at mass-production levels, as managerial solutions, attention used to be wholly on managing operations of organisations, assembly lines and other mechanistic and routine activities.

From the perspective of today’s management doctrine, different types of management practices are needed to create outlines of universal management thinking, principles and methods. From the various factors influencing management activities, in addition to production, productivity, relations and superstructures, there are basic factors, which can be suggested as natural and social, and these may serve as a key for management. Traditional Chinese management thinking focuses

⁴⁸ Adam Smith. *The Wealth of Nations*. Hoboken, N.J: Dent, 1977; Adam Smith. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Petersfield, Hampshire: Harriman House, 2007. See also, Harold R. Pollard. *Developments in Management Thought*. New York, NY: Crane, Russak, 1974. See for others, Nanette Monin. *Management Theory: A Critical and Reflexive Reading*. New York, NY: Routledge, 2004; Daniel A. Wren, and Arthur G Bedeian. *The Evolution of Management Thought*. Hoboken, N.J: Wiley, 2009.

⁴⁹ John S. Mill, and James L. Laughlin. *Principles of Political Economy*. New York, NY: Appleton, 1884; Lee D. Parker, and Philip Ritson. “Accounting’s Latent Classicism: Revisiting Classical Management Origins.” *Abacus*, vol. 47, no.2, 2011, pp. 51-67.

more on humanity, institutions and "Dao" -objective economic patterns.⁵⁰

Knowledge began to accumulate about what worked in organisational management.⁵¹ In Europe, theorists have been developing a wide range of methods for improving management practices since the 1800s.⁵² The US raised its first Institution of Higher Education in Management with the founding of the Wharton School in 1881.⁵³ Joseph Wharton, a wealthy industrialist, aspired to produce “pillars of the state” by offering leadership across business and public life. The idea was also picked up and followed by other universities, as management appeared as a formal program of study in the West.⁵⁴

At the same time, as mentioned in Chapter 1, the “Self-Strengtheners” movement appeared in

⁵⁰ It is based on the epistemology of Chinese philosophy advocate "systematic observation method". To put it simply: Chinese people and Chinese philosophy's understanding of the objective world is accumulated from extensive experience in a long time, and a systematic model such as Yin Yang Five Elements System Model is formed during the process, just like big data management. When you need to know specific things, put them into this system model for dialectical and dialectical governance. Ken Baskin. "How Chinese Thought Can Lead the Transformation in Management Practice." *Chinese Management Studies*, vol. 1, no. 2, 2011, pp. 13-27; Sugumar Mariappanadar, et al. "Confucian Thinking and the Implications for Sustainability in HRM." *Asia-Pacific Journal of Business Administration*, vol. 1, no. 1, 2014, pp. 9-21.

⁵¹ Daniel A. Wren. *The History of Management Thought*. Hoboken, N.J: Wiley, 2005.

⁵² K. Harigopal. *Management of Organisational Change: Leveraging Transformation*. London, England: SAGE, 2006; Jerry L. Wellman. *Organisational Learning: How Companies and Institutions Manage and Apply Knowledge*. New York, NY: Palgrave Macmillan, 2009; B. Siebenhuner, and M Arnold. "Organisational Learning to Manage Sustainable Development." *Business Strategy and the Environment*, vol.16, no. 5, 2007, pp. 339-353; John M. Ivancevich., Robert Konopaske, and Michael T. Matteson. *Organisational Behavior and Management*. New York, NY: McGraw-Hill Higher Education, 2014.

⁵³ *Wharton History*. 2012. www.wharton.upenn.edu/about/wharton-history.cfm. Accessed 27 May. 2019.

⁵⁴ The second oldest business school in the world is founded at the Booth School of Business to offer practical business instruction in 1898. The University of St. Gallen established the first university in Switzerland teaching business and economics in 1898. The first graduate school of business in the United States, the Tuck School of Business at Dartmouth College, was founded in 1900 and the school conferred the first advanced degree in business, specifically, a Master of Science in Commercial Sciences, the predecessor to the MBA; In 1902, Birmingham Business School became the United Kingdom's first business school. Originally established as the School of Commerce was established in Birmingham, United Kingdom. The McGill School of Commerce, it was founded as part of McGill University in Montreal, Canada, eventually developing into the Desautels Faculty of Management in 1906. At same time, the Warsaw School of Economics (SGH) was established as the first university in Poland dedicated to teaching commerce and economics. Harvard Business School was founded at Harvard University. It was the first program in the world to offer the Master of Business Administration degree in 1908.

China. It can be regarded as the first large-scale movement imitating Western-style industrialization in Modern China.⁵⁵ Modern systems were used to build a large number of industrial and chemical companies to enable the development and modernisation of China's industrial base. This movement imported western literature and developed the first batch of overseas students in China. This movement calls for people to face the advantages of management science, being practised by the Western Systems for the sake of reaping the benefits of the Industrial Revolution.⁵⁶ Chinese scholars attempted to implement Western theoretical research and systematic management approach in a Chinese context. However, the "Self-Strengtheners" movement failed, because of advocating learning, copying and implementing Western management models without considering China's national conditions.⁵⁷ The movement did let the Chinese realise the superiority of Western management research as all Chinese management research was based on Western management. On an important note, it served as a foundation for the future emergence of Chinese management academic theories. The result of "Self-Strengtheners" movement indicates, the importance of management adjusted for Chinese culture and environment.

Imagery from the industrial past, such as the conceptualisation of the organisation as a machine, continued to cast a long shadow to reflect management as it is perceived today. That is why there is a need to analyse management by theme or concept. However, management, as it is practised

⁵⁵ Anonymous. *Yang Wu Yun Dong*. Shanghai: Shanghai People's Publishing House, 1973. (China –History Self strengthening movement, 1861-1895.)

⁵⁶ Benjamin A. Elman. "Naval Warfare and the Refraction of China's Self-Strengthening Reforms into Scientific and Technological Failure, 1865-1895." *Modern Asian Studies*, vol. 38, no. 2, 2004, pp. 283-326.

⁵⁷ Charles-Edouard Bouée. *China's Management Revolution: Spirit, Land, Energy*. Houndmills, London: Palgrave Macmillan, 2011.

by the most, is reflective of the evolution of executives. Rita McGrath, in 2014, informs that we have seen three “ages” of management since the Industrial Revolution, each emphasising different themes; execution, expertise and empathy.⁵⁸

Patrick J. Montana and Bruce H. Charnov summaries consider the classical management approach being advantageous owing to the reason that it is based on a hierarchical organisational structure beside it defines managers’ responsibilities and objectives at each level. Additionally, the classical management approach presents a division of labour as it increases the performance of employee (execution) and reduces the expenses.⁵⁹ Classical approaches share a common assumption; people at work rationally consider opportunities, made available to them, and do whatever is necessary to achieve the greatest personal and monetary gains.⁶⁰ The demand for robust management processes was created by the growth of factories and mass production. The need for productivity maximisation inevitably required better and more efficient approaches to enhance the manufacturing of goods while reducing production costs at the same time and to increase profitability.

The behavioural perspective considers workers as different individuals having different motivations. Behavioural-science approaches focus of study of how business productivity can

⁵⁸ Three themes of management, from McGrath’s, could fit ideally could into the three main approaches: 1) classical approach; 2) behavioural approach; 3) modern foundations. Rita McGrath. “Management’s Three Eras: A Brief History.” *Harvard Business Review*, 2014. hbr.org/2014/07/managements-three-eras-a-brief-history. Accessed 27 May. 2019.

⁵⁹ Patrick J. Montana, and Bruce H. Charnov. *Management: [classical Management Theory; Organisational Structures; Human Resource Management; Work Group Dynamics, and Much More]*. New York, NY: Barron’s Educational Series, 2008.

⁶⁰ Henry L. Gantt. *Industrial Leadership*. Easton, MD: Hive, 1921; Hive edition published in 1974; Henry C. Metcalfe, and Lyndall Urwick. *Dynamic Administration: The Collected Papers of Mary Parker Follett*. New York, NY: Harper-Brothers, 1940; James D. Mooney. *The Principles of Administration*. New York, NY: Harper-Brothers, 1947.

be managed by concentrating on workforce motivation. According to Mary Parker Follett, Hugo Munsterberg and Elton Mayo, the behavioural-science approach includes analysing employees' expectations, group dynamics and teamwork, conflict resolution and personal interests.⁶¹ Behavioural management differs with classical management which ignores workers and focuses on productivity outcomes.⁶² In the Digital Music Industry, behaviour management may offer insights because the online market is based on consumer behaviour.

Modern management also emphasises the contribution of human factor towards productivity and profitability. Since the main content of management is people, including all aspects of people's thinking, their behaviour may be inconsistent with the organisation. This approach may prove particularly important for management and development of the Chinese Digital Music Industry, as discussed later in this thesis.

By the early 1900s, as mentioned earlier, practitioners began to develop theories of management, the term "management" was in extensive use, with Adam Smith's ideas drawn from human nature. Others – such as Frederick Winslow Taylor and Frank Gilbreth and Henry L. Gantt –

⁶¹ Hugo Münsterberg. *Psychology and Industrial Efficiency*. Easton, MD: Hive Publishing Company, 1973; Kenneth Thompson, Frederick W. Taylor, Oliver Sheldon, Mary P. Follett, Luther H. Gulick, F J. Roethlisberger, Elton Mayo, Chester I. Barnard, and Tom Lupton. *The Early Sociology of Management and Organisations: Vol.1 Scientific Management*. London, England: Routledge, 2003; Henry C. Metcalf, Lyndall F. Urwick, and Mary P. Follett. *The Early Sociology of Management and Organisations: The Collected Papers of Mary Parker Follett*. London, England: Taylor & Francis e-Library, 2004; Patrick J. Montana, and Bruce H. Charnov. *Management: [classical Management Theory; Organisational Structures; Human Resource Management; Work Group Dynamics, and Much More]*. New York, NY: Barron's Educational Series, 2008; Hugo Münsterberg. *Business Psychology*. Chicago, IL: La Salle Extension University, 2012.

⁶² Andrew J. DuBrin. "Management Development: Education, Training or Behavioral Change." *Personnel Journal*, vol. 49, no. 12, 1970, pp. 1002-1005; Jean Woodall, and Diana Winstanley. *Management Development: Strategy and Practice*. Oxford, Oxfordshire: Blackwell Business, 1998; Jürgen Kocka. "Management and Industrialisation. The Development of the Classical Model." *Zeitschrift für Unternehmensgeschichte*, vol. 44, no. 2, 1999, pp. 135-149; Rosemary Hill, and Jim Stewart. *Management Development: Perspectives from Research and Development*. New York, NY: Routledge, 2007; Paul Hersey., Kenneth H. Blanchard, and Dewey E. Johnson. *Management of Organisational Behavior: Leading Human Resources*. Boston, MA: Pearson, 2013.

developed theories that emphasised efficiency, lack of variation, consistency of production, and predictability.⁶³ In 1911, Taylor articulated the view that “the principal object of management should be to secure maximum prosperity for the employer, coupled with the maximum prosperity for the employed”.⁶⁴ He believed that if workers did their jobs independently without a clear and consistent approach, it led to inefficiency and low performance. Scientific management emphasised careful recruitment and training needs of workers and supervisory support, concentrating on selecting, training, and supporting workers for individual task performance. His practices changed the role of managers from supervising workers to completing a task using skilled employees by supervising individual aspects of production. The central issue of scientific management is improving productivity, using scientific methods instead of those based on experience.⁶⁵ It also indicates that, the scenarios, where workers were not allowed to express individuality in their work, gave higher power to management thus limiting workers to automatons.⁶⁶ Unions began to oppose this approach, fearing that working harder or faster would cause layoffs in the workforce.

Fayol provides knowledge of system principles, standards, methods and procedures constructed

⁶³ Clarence B. Thompson, Robert Owen, Frank B. Copley, Frederick W. Taylor, Frederick W. Taylor, Charles Babbage, Harrington Emerson, Frank B. Gilbreth, and Harrington Emerson. *Classics in Management: The Development of Management Science*. London, England: Routledge/Thoemmes Press, 1993; Henry L. Gantt. *Human Resource Management. Vol. 1: Work, Wages, and Profits*. Bristol, England: Overstone Press, 2000; Frederick W. Taylor. *The Principles of Scientific Management*. London, England: Forgotten Books, 2015. See also, Peter B. Peterson. “Training and Development: The Views of Henry L. Gantt (1861-1919).” *MI Advanced Management Journal*, vol.52, no.1, 1987, pp. 20-27; Frank B. Gilbreth, et al. *Critical Evaluations in Business and Management Studies*, 2003; Kenneth Thompson, et al. *The Early Sociology of Management and Organisations*. London, England: Routledge, 2003; Dennis Karwatka. *Frank Gilbreth and Production Efficiency*. Ann Arbor: Prakken Publications, 2006.

⁶⁴ Frederick W. Taylor. *The Principles of Scientific Management*. New York, NY: W.W. Norton, 1967.

⁶⁵ See examples for, T Trudeau. “The Scientific Approach to Management--Early Stages. Part 2.” *Hospital Topics*, vol. 61, no.4, 1983, pp. 28-39; T S. Edgington, and W Bodmer. “Principles of Scientific Management.” *FASEB Journal*, vol. 7, no.9, 1993, pp. 723-734; Edward W. Nelson. *Scientific Management: Frederick Winslow Taylors Gift to the World?* S. l.: Springer, 2012.

⁶⁶ Stephen P. Waring. *Taylorism Transformed: Scientific Management Theory Since 1945*. Chapel Hill, NC: University of North Carolina Press, 1991.

for management activities.⁶⁷ Through identification of five foundations for management: planning, organising, staffing, directing, and controlling, he pioneered the Administrative Approach as a management theory in 1916.⁶⁸

It shows that the process of management processes involves leading, controlling, planning, organising and using resources to accomplish performance goals, laying the theoretical foundation for general management. He suggests that managers should learn, at least four management functions; understanding and implementation of these management functions.⁶⁹

Fayol attached great importance to planning, with particular emphasis on the development of long-term plans and making an outstanding contribution to management thinking.⁷⁰ Strategic

⁶⁷ Henri Fayol. *General and Industrial Management =: Administration Industrielle Et Générale*. North York, Toronto: Captus University Publications, 1991.

⁶⁸ Fayol said: "Foresight is to complete a plan what will be needed in the future; Organisation is to provide and mobilise resources to implement the plan. Command is to lead, select, and evaluate workers to get results in all of the required activities being done, as planned. Coordination is to fit diverse efforts together and to ensure information is shared and problems solved; Control is to make sure that all rules and regulations are followed and adhered to". Henri Fayol., Constance Storrs, and Lyndall F Urwick. *General and Industrial Management*. Mansfield Centre, CT: Martino Publishing, 2013. pp. 57-84; J Allison. Barnhill. *Approaches to Administrative Analysis*. New York, NY: McGraw-Hill Ryerson, 1979; Robert L. Trewatha, and MbGene Newport. *Management: Functions and Behavior*. Dallas, DA: Business Publications, 1979; Lloyd Baird., James E. Post, and John F. Mahon. *Management: Functions and Responsibilities*. New York, NY: Harper & Row, 1990; Daniel A. Wren. "Henri Fayol: Learning from Experience." *Journal of Management History*, vol. 1, no. 3, 1995, pp. 5-12; Mildred Golden. Pryor, and Sonia Taneja. "Henri Fayol, Practitioner and Theoretician: Revered and Reviled." *Journal of Management History*, vol. 16, no. 4, 2010, pp. 489-503; Henri Fayol., Constance Storrs, and Lyndall F. Urwick. *General and Industrial Management*. Mansfield Centre, CT: Martino Publishing, 2013.

⁶⁹ Henri Fayol. *Management: A Book of Readings*. New York, NY: McGraw-Hill, 1964.

⁷⁰ John D. Breeze. "Harvest from the Archives: The Search for Fayol and Carlioz." *Journal of Management*, vol. 11, no. 1, 1985, pp. 43-54; Philip, Evans. "Strategy." *Journal of Business Strategy*, vol. 21, no. 6, 2000, pp. 12-16; Daniel A. Wren. "Henri Fayol as Strategist: A Nineteenth Century Corporate Turnaround." *Management Decision*, vol. 39, no. 6, 2001, pp. 475-481; Mildred Golden. Pryor, and Sonia Taneja. "Henri Fayol, Practitioner and Theoretician: Revered and Reviled." *Journal of Management History*, vol. 16, no. 4, 2010, pp. 489-503; John R. Schermerhorn. *Introduction to Management*. Chichester, West Sussex: Wiley, 2011.

management refers to a series of business operations that combine the daily business decisions of an enterprise with long-term planning decisions.

Although Fayol had already proposed management capabilities can be obtained through education, many of business leaders still believed that practice was the only way to be qualified as a manager.⁷¹ In business operations, management experience, particularly legal management training, was still valued.⁷² The time involved for sufficient management experience to develop fast growth.⁷³ Education creates much-needed management talent and managers with experience and systematic training are recognised as a standard for world-class organisations.

Fayol's major advance was to distinguish management from operations.⁷⁴ Management cannot be taken in the narrow sense of business activities to prove the applicability of management theory in various industrial setups. It is an essential representation of western classical management thought, which later became the theoretical foundation of the management process school and the basis for various management theories and practices in academic research. Later

⁷¹ R M. Belbin. *Management Teams: Why They Succeed or Fail*. Oxford, Oxfordshire: Butterworth-Heinemann, 1996. See also, Mike Woodcock, and Dave Francis. *The Unblocked Manager: A Practical Guide to Self-Development*. Aldershot, Hampshire: Gower, 1982; Kerzner Harold. *Applied Project Management: Best Practices on Implementation*. New York, NY: Wiley, 2000; Samuel J. Mantel. *Project Management in Practice*. Hoboken, N.J: Wiley, 2011; Robert W. Weinbach, and Lynne M. Taylor. *The Social Worker as Manager: A Practical Guide to Success*. Boston, MA: Allyn & Bacon, 2011.

⁷² Margaret Dale. *Handbook of Successful Recruitment and Selection: A Practical Guide for Managers*. Delhi: Crest, 2003; Paula Ketter. *Management Training*. Alexandria: American Society for Training and Development, 2006.

⁷³ Don Hellriegel., Susan E. Jackson, and John W. Slocum. *Management*. Cincinnati, OH: South-Western College Pub, 1999.

⁷⁴ John C. Wood, and Michael C. Wood, eds. *Henri Fayol: Critical evaluations in business and management*. London, England: Routledge, 2002.

scholars systematized classical management theory.⁷⁵

Max Weber developed a form of organisational management to correct the problems just described.⁷⁶ His approach focused on a hierarchical structure, giving managers a type of legal control over their employees—the notion of bureaucracy. The theory requires all managers and workers to comply with a strict set of rules, limiting staff creativity and providing little ability to adapt to change. Management needs to be flexible and quick in adapting to changing circumstances – a common scenario today. Weber described bureaucracy with its clear hierarchy, formal rules, and well-defined jobs as an ideal form of organisation.⁷⁷ Weber’s theory supplements Taylor and Fayol’s theory, significantly influencing management theory of later scientists, especially in the area of organisational research.⁷⁸

At the same time, Eastern management thought, visible in Japanese business practice, may also provide a consistent management approach having links to the Western management thought. There is a strict caste system in Japan, but the Japanese have respect for the state and visualise it as collective supremacy. As mentioned in Chapter 1, this is very much similar to China’s traditional values. Japanese enterprises make good use of these two features. They advocate

⁷⁵ See examples from, Henry L. Gantt, L. *Work, Wages, and Profits: Their Influence on the Cost of Living*. New York, NY: Engineering Magazine, 1910; Frank B. Gilbreth, and Lillian M. Gilbreth. *Fatigue Study, the Elimination of Humanity’s Greatest Unnecessary Waste: A First Step in Motion Study*. New York, NY: Sturgis & Walton, 1918; Henry L. Gantt. *Organizing for Work*. New York, NY: Harcourt, Brace and Howe, 1919; Luther H. Gulick., Lyndall F. Urwick, and Carl H. Pforzheimer. *Papers on the Science of Administration*. New York, NY: Institute of Public Administration, Columbia University, 1937; Lyndall F. Urwick. *The Elements of Administration*. New York, NY: Harper, 1944; James D. Mooney. *The Principles of Organisation*. New York, NY: Harper, 1947.

⁷⁶ A M. Henderson, and Talcott Parsons. *Max Weber: The Theory of Social Economic Organisation*. New York, NY: Free Press, 1947. Bureaucracy is now commonly used with negative connotations.

⁷⁷ Max Weber, and Stanislaw Andreski. *Max Weber on Capitalism, Bureaucracy and Religion: A Selection of Texts*. London, England: Routledge, 2009.

⁷⁸ Weber’s theory is called “the father of organisation theory” in the history of management thinking.

collectivism in enterprises. These values were dominant in employees and managers. Japanese dropped to the minimum negative impact on the hierarchy to take power and rank among employees. They find a way to distribute effect equally and slowly and upgraded the “Nenko system” based on an employee’s seniority.⁷⁹ Thus, the negative impact of power and sense of distance was among the positive effects of inclusion from the collective spirit. It did not affect the construction of a harmonious relationship between employees and managers, one of the reasons for the effectiveness of the Japanese business model in the context of Eastern thinking.⁸⁰ Management is closely related to culture, and successful management must be based on the current cultural background.

Returning to the Western management development, with growing size and complexity of organisations, the split between owners (individuals, industrial dynasties or groups of shareholders) and day-to-day managers (independent specialists in planning and control) gradually became more common.⁸¹ As management thinking developed, scholars recognised

⁷⁹ The Nenko system is a Japanese promoting system for the employee who in order of his or her proximity to retirement. The advantage of the system is that it allows older employees to achieve a higher salary level before retirement and that it usually brings more experience to the executive ranks. The disadvantage of the system is that it does not allow new talent to be merged with the experience and those with specialized skills cannot be promoted to the already crowded executive ranks. See for example, Yoshifumi. Nakata. *An Analysis of Age-Seniority Wage Profiles: A Case Study of the Japanese Nenko Wage System*. Berkeley, CA: University of California, 1988.

⁸⁰ Yamashita Hideo. *Japanese Business Organisation Through Mentality Perspective*. University of British Columbia, 2011.

⁸¹ Stig O. Johannessen, and Lesley Kuhn. *Complexity in Organisation Studies*. London, England: SAGE, 2012. See for others, Daniel A. Wren. “Book Review: Classics in Scientific Management.” *The Academy of Management Review*, vol. 2, no. 2, 1977, pp. 324-326; Anna Anfossi. “Principles Implied in the Classic Theory of Scientific Management.” *Quaderni di Sociologia*, vol. 17, no. 1-2, 1968, pp. 5-14; Philip Anderson. “Complexity Theory and Organisation Science.” *Organisation Science*, vol. 10, no. 3, 1999, pp. 216-219; Michael T. Matteson, and John M. Ivancevich. *Management and Organisational Behavior Classics*. Boston, MA: Irwin/McGraw-Hill, 1999; Ludovic Dibiaggio. *Classics in Management Thought*. Amsterdam: Elsevier, 2002; G. A. Cole, and P. Kelly. *Management Theory and Practice*. Andover, MA: South-Western Cengage Learning, 2011.

human resources, motivation, and innovation as management tasks.⁸² Additionally, Lyndall Urwick and Luther Gulick summarised the classical management schools into classical management theory framework, based on work of Taylor and Fayol.⁸³ In the book “Papers on the Science of Administration”, they integrated various management theories to create a new system; taking Taylor’s scientific management theory and scientific analysis methods as the basic principles to guide all management functions; taking the three management elements of Fayol’s planning, organisation, and control as the three main functions of the management process, and placing Fayol’s management principles under the function of management.⁸⁴ The theory explored, researched, and demonstrated management functions around the functions of managers. Moreover, Gulick proposed planning, organising, staffing, directing, coordinating, reporting and budgeting (POSDCORB) encapsulating seven key management functions.⁸⁵ Hence, the consensus on management became the theoretical framework of classical management approach. It is also recognised as the first comprehensive theory of management.

Although classical management approach and theory played an important role in improving labour productivity in the early twentieth century, it proved impossible to entirely solve the

⁸² T J. Hannagan, and Roger Bennett. *Management: Concepts & Practices*. London, England: Pitman, 1995; Stephen P. Robbins, and Mary K. Coulter. *Management*. Upper Saddle River, NJ: Pearson Prentice Hall, 2005; Samuel C. Certo, and S T. Certo. *Modern Management*. Upper Saddle River, N.J: Pearson/Prentice Hall, 2006; Angelo Kinicki, and Brian K. Williams. *Management: A Practical Introduction*. Boston, MA: McGraw-Hill/IRWIN, 2009; Dianne, Waddell., Gareth R. Jones, and Jennifer M. George. *Contemporary Management*. North Ryde, NSW: McGraw-Hill Education, 2013.

⁸³ Lyndall Urwick. “Public Administration and Scientific Management”, *Indian Journal of Public Administration*, vol. 2, no.1, 1956, pp. 18-22; Lyndall Urwick. “Comment: Leadership and Language.” *Academy of Management Journal*, vol. 8, no. 2, 1965, pp. 146-157.

⁸⁴ Luther H. Gulick, and Lyndall F. Urwick. *Papers on the Science of Administration*. London, England: Pickering & Chatto, 2004.

⁸⁵ Luther H. Gulick. *A Philosophy of Play*. New York, NY: C. Scribner’s Sons, 1920; Luther H. Gulick. “Metropolitan Organisation”, *Annals of the American Academy of Political and Social Science*, vol. 314, 1957, pp. 57-65; Kenneth Thompson, et al. *The Early Sociology of Management and Organisations*. London, England: Routledge, 2003.

problem which arose due to the emergence of new challenges. Since the 1910s, Bruce E. Kaufman indicated that unions and government regulations paid more attention to individuals and their unique capability in the organisation, thus influencing the management thinking with an emphasis on human relations.⁸⁶ Therefore, a special study of human factors to mobilise people's enthusiasm— interpersonal research —came into being. The results of research conducted by the psychologists, represented by German psychologist Hugo Munsterberg, have promoted the scientific process of personnel management.⁸⁷ This superseded the economic hypothesis from Taylor, with its social assumptions and laid the foundation for behavioural management. It became the signboard for the transition from scientific management to modern management.

Management requires the development of human resources to achieve a task. Tom Peters and Karl Rodabaugh believed people are the main resource in any company.⁸⁸ It is argued that people are self-actualising by socialisation and these concepts are maintained in behavioural approaches. People at work are assumed to seek satisfying social relationships, respond to group pressure, and seek personal fulfilment.⁸⁹ Consequently, Human Resources departments were added to organisations. Behavioural science played a strong role in helping to understand the needs of workers and of the organisation to better align the workers with the organisations.⁹⁰ The

⁸⁶ Bruce E. Kaufman. *Managing the Human Factor: The Early Years of Human Resource Management in American Industry*. Ithaca: ILR Press/Cornell University Press, 2008.

⁸⁷ Hugo Münsterberg. *Psychology and Industrial Efficiency*. Bristol, England: Thoemmes Press, 1998.

⁸⁸ Tom Peters, and Karl Rodabaugh. "Thriving on Chaos: Handbook for a Management Revolution." *The Journal of Continuing Higher Education*, vol. 36, no. 2, 1988, pp. 27-28.

⁸⁹ Gerald R. Ferris, and Thomas R. King. "Politics in Human Resources Decisions: A Walk on the Dark Side." *Organisational Dynamics*, vol. 20, no. 2, 1991, pp. 59-71; David E. Bowen, and Edward E. Lawler. "Total Quality-oriented Human Resources Management." *Organisational Dynamics*, vol. 20, no. 4, 1992, pp. 29-41.

⁹⁰ Wendy Bloisi., Curtis W. Cook, and Phillip L. Hunsaker. *Management and Organisational Behaviour*. Maidenhead, Berkshire: McGraw-Hill Education, 2007.

historical foundations, set by this set of approaches, are well evidenced in the field of organisational behaviour, the study of individuals and groups within organizations, the new field of behavioural sciences.⁹¹

The establishment of Harvard Business Review in 1922 was another milestone, marking progress toward the belief that management was a discipline of growing evidence and evolving theory. This might be called the initiation of Modern Management.⁹²

The shift toward behavioural thinking, in management, is evidenced in three main ways. First, when the Western Electric Company commissioned a research program to study individual productivity at the Hawthorne Works of the firm's Chicago plant in 1924.⁹³ Previous focus on required tasks and managers as taskmasters, changed as the Behavioural Management Approaches took into consideration the group dynamics, teamwork, and the positive impact of social interaction.⁹⁴ In short, the Hawthorne effect is the tendency of persons, designated to carry out their focus, to achieve personal goals as a path for growth. Classical management only

⁹¹ S. K Mangal, and Shubhra Mangal. *Research Methodology in Behavioural Sciences*. New Delhi: PHI Learning Pvt. Ltd., 2013; Rachel Davis, et al. "Theories of Behaviour and Behaviour Change Across the Social and Behavioural Sciences: A Scoping Review." *Health Psychology Review*, vol. 9, no. 3, 2015, pp. 323-344; Stephen P. Robbins, Timothy A. Judge, and Timothy T. Campbell. *Organisational Behaviour*. Harlow, Essex: Pearson, 2017; Graham Richards. *Human evolution: An Introduction for the Behavioural Sciences*. London: Routledge, 2019.

⁹² Samuel C. Certo, and S T. Certo. *Modern Management*. Harlow, Essex: Pearson Education Canada, 2019.

⁹³ These studies proved that meeting workers' social needs could enhance the workplace and would positively affect productivity. Harold E. Burt. "Management and the Worker." *Journal of Abnormal and Social Psychology*, vol. 35, no.3, 1940, pp. 465-478.

⁹⁴ J C. Levenson. "Hawthorne, a Critical Study." *The New England Quarterly*, vol. 28, no. 3, 1955, pp. 404-406; Hyatt H. Waggoner. *Hawthorne: A Critical Study*. Cambridge, MA: The Belknap Press of Harvard University Press, 1971; G. Wickstrom, and T Bendix. "The "Hawthorne Effect" - What did the Original Hawthorne Studies Actually show?" *Scandinavian Journal of Work, Environment and Health*, vol. 26, no. 4, 2000, pp. 363-377; John S. Hassard. "Rethinking the Hawthorne Studies: The Western Electric Research in its Social, Political and Historical Context." *Human Relations*, vol. 65, no. 11, 2012, pp. 1431-1461.

considers the formal organisation and its role.⁹⁵ To achieve maximum efficiency is the ultimate goal for organisations. However, according to John D. Holden, the Hawthorne experiments found workers, within the enterprise, working together would inevitably produce common empathy, attitude and tendency to form some common behavioural norms and practices, impacting members' behaviour, constituting the "informal organisation."⁹⁶ The impact of psychosocial factors on workers' commitment cannot be ignored. Subsequently, the Hawthorne study contributed to the emergence of the human relations movement and influenced management thinking during the 1950s and 1960s.⁹⁷ More importantly, this movement laid the foundation for what evolved into the field of organisational behaviour for the study of individuals and groups in organisations.⁹⁸

Second, the work of Mary Parker Follett marked an important transition from classical thinking into behavioural management. Follett drew attention to how organisations operate as communities, with managers and workers working harmoniously without one dominating the

⁹⁵ Managers' roles included incentivisation and working conditions. As later scholars review the Hawthorne studies, they criticise them for poor research design, weak empirical support for the draw conclusions, and the tendency of researchers to over-generalize their findings. Rob McCarney, et al. "The Hawthorne Effect: A Randomised, Controlled Trial." *BMC Medical Research Methodology*, vol. 7, no. 1, 2007, pp. 30; Jonathan Law. "Hawthorne Studies." *A Dictionary of Business and Management*. London, England: Bloomsbury, 2009; John Scottt, and Gordon Marshall. "Hawthorne Studies." *A Dictionary of Sociology*. Oxford, Oxfordshire: Oxford University Press, 2009. pp.37-68; Chan Su. Jung, and Soo-Young Lee. "The Hawthorne Studies Revisited." *Administration & Society*, vol. 47, no. 5, 2015, pp. 507-531.

⁹⁶ John D. Holden. "Hawthorne Effects and Research into Professional Practice." *Journal of Evaluation in Clinical Practice*, vol.7, no. 1, 2001, pp. 65-70.

⁹⁷ Susan Wright. *Culture in Anthropology and Organisational Studies*. London, England: Routledge, 2004. pp. 11-41.

⁹⁸ Orlando Behling. "The Case for the Natural Science Model for Research in Organisational Behavior and Organisation Theory." *Academy of Management Review*, vol. 5, no. 4, 1980, pp. 483-490.

other, and with the freedom to talk over and truly reconcile conflicts and differences.⁹⁹ She looked to approach organisations as group networks rather than as hierarchical structures and explored the influence of human relations within the group. Follett's emphasis on groups and her commitment to human cooperation are still relevant today.¹⁰⁰

While western countries built complete management learning and research systems, Asia began to study western management theory. For example, in 1912, Yoichi Ueno introduced Taylorism in Japan and became the first "Japanese-management style" consultant.¹⁰¹ His son Ichiro Ueno pioneered Japanese quality assurance.¹⁰² On the other hand, China was in a transition period from a traditional agricultural dependent society to modern industrial society. The Chinese government, in 1942, sent a group of more than thirty scholars, to the United States, for dedicated learning of management theories.¹⁰³ As China is in the period of Anti-Japanese War, there are many academic studies that can be found in the literature mainly focus on governing the country

⁹⁹ M. P. Follett. *Freedom and Coordination*. London, England: Management Publications Trust, 1949; Camilla Stivers. *Integrating Mary Parker Follett and Public Administration*. Malden, MA: Blackwell, 2006; Domènec Melé. "Ethics in Management: Exploring the Contribution of Mary Parker Follett." *International Journal of Public Administration*, vol. 30, no. 4, 2007, pp. 405-414; Michele Simms. "Insights from a Management Prophet: Mary Parker Follett on Social Entrepreneurship." *Business and Society Review*, vol. 114, no. 3, 2009, pp. 349-363; Ralph Bathurst, and Nanette Monin. "Shaping Leadership for Today: Mary Parker Follett's Aesthetic." *Leadership*, vol. 6, no. 2, 2010, pp. 115-121; Scott L. Pratt. "American Power: Mary Parker Follett and Michel Foucault." *Foucault Studies*, vol. 11, 2011, pp. 76-81; Natalia Victorovna. Kuznetsova. "Mary Parker Follett - the Prophet of Management." *Middle East Journal of Scientific Research*, vol. 17, no. 11, 2013, pp. 1555-1569.

¹⁰⁰ John M. Gaus. *Dynamic Administration; the Collected Papers of Mary Parker Follett*. 36 Vols. The American Political Science Association, 1942; Anonymous. "The Collected Papers of Mary Parker Follett." *New Management*, vol. 2, 1984, pp. 61-68; Pauline Graham. "Mary Parker Follett (1868-1933): The Philosopher of Management." *Women in Management Review*, vol. 1, no. 2, 1985, pp. 85-90; Katherine Selber, and David M. Austin. "Mary Parker Follett: Epilogue to Or Return of a Social Work Management Pioneer?" *Administration in Social Work*, vol. 21, no. 1, 1997, pp. 1-15.

¹⁰¹ William M. Tsutsui. "The Way of Efficiency: Ueno Yoichi and Scientific Management in Twentieth-Century Japan." *Modern Asian Studies*, vol. 35, no. 2, 2001, pp. 441-447.

¹⁰² Ichirō Ueno. *Keiei Hōsokushū: Mōkaru Kaisha Ni Suru 100 No Senryaku*. Tōkyō: Kōbunsha, 1971; Ichirō Ueno., Yaomao Chen, and Jinde Li. *Jing Ying Fa Ze Bai Tiao*. Fuzhou: Fujian ke xue ji shu chu ban she, 1985.

¹⁰³ Xue Yi. "ZHONG GUAN JIN DAI SHI YAN JIU (China's History)." *Histroy*. 2003. jds.cass.cn/UploadFiles/zyqk/2010/12/201012031606337751.pdf. Accessed 27 May. 2019.

and saving the country.¹⁰⁴ Among the information that can be examined are many questions about the direction of development of economic and social systems. Management academic research focuses on learning other advanced management theories, such as those in Japan and Europe.

Third, the work of psychologist Abraham Maslow in the area of human “need” also had a major impact on the behavioural approach to management in 1943.¹⁰⁵ He described “need” as a physiological or psychological deficiency by which a person feels the compulsion to satisfy, suggesting that needs create tensions that influence a person’s work attitude and behaviour.¹⁰⁶ Maslow’s theory is based on two underlying principles. The first is the deficit principle – a satisfied need is not a motivator of behaviour. People act to satisfy “deprived” needs, those for which a satisfaction “deficit” exists. The second is the progression principle – the five needs exist in a hierarchy of “prepotency”. A need at any level is activated only when the next-lower-level need is satisfied. According to Maslow, people try to satisfy the five needs in sequence.¹⁰⁷ They progress systematically from the lowest level to the highest. At the level of self-

¹⁰⁴ Wei. Qing-er. "On the Culture of Anti-Japanese War and Its Influence on the Society of China." *Guihai Tribune*, vol. 1, no. 1, 2006, pp. 13-21; Zhongmin Zhang, and Zhu Ting. "Republic Government's Control Economic Policy and State-owner Enterprise During the Anti-Japanese War." *Journal of Social Sciences*, vol. 4, no. 1, 2007, pp. 104-118; Victor Bai. "Emergency Management in China." *Comparative Emergency Management. Retrieved*, vol. 6, no. 2, 2014, pp. 194-206.

¹⁰⁵ This discussion of Maslow’s theory is based on Abraham H. Maslow. *Eupsychian Management. Motivation and Personality, 2nd Edition*. New York, NY: Harper- Row, 1970; Abraham H. Maslow., Deborah C. Stephens, and Gary Heil. *Maslow on Management*. New York, NY: John Wiley, 1998.

¹⁰⁶ Maslow placed needs in five levels, from lowest to highest: physiological, safety, social, esteem, and self-actualisation needs. Fran Ferrone. “Inverting Maslow’s Pyramid by Design.” *National Real Estate Investor*, vol.7, no. 3, 2014, pp. 178-209. See also, Abraham H. Maslow., Deborah C. Stephens, and Gary Heil. *Maslow on Management*. Chichester, West Sussex: John Wiley, 1998; David L. Stum. “Maslow Revisited: Building the Employee Commitment Pyramid.” *Strategy & Leadership*, vol. 29, no. 4, 2001, pp. 4-9; David R. Weinberg. “Montessori, Maslow, and Self-Actualization.” *Montessori Life: A Publication of the American Montessori Society*, vol. 23, no.4, 2012, pp. 16-21.

¹⁰⁷ Abraham H. Maslow, and David G. Winter. *Motivation and Personality*. New York, NY: Harper & Brohters, 1954.

actualisation, the deficit and progression principles cease to operate. The more this need is satisfied, the stronger it grows.¹⁰⁸ It suggests some need to dominate, while others are subordinate.¹⁰⁹ In today's businesses, respect for the individual is the best-defined value. This theory requires a return to human values with the human being at its centre. However, it is also important to recognise this theory's limitations. Motivation is a key and fits with the hierarchy theory of human motivation which is determined by individual needs. More importantly, the standards and extent of satisfaction are blurred.¹¹⁰ The Digital Music Industry is an online market, and the most intuitive approach may be to satisfy consumer demand, managed by Maslow's theory.

Henry Yeung. Wai-Chung indicated that the value orientation and management needs of China and Japan are still focused on collectivism, while Western management has paid gradual attention to the individual needs, which refer to management efficiency in the western context.¹¹¹

This set of theories broadly shows the gap in the management of theoretical building between

¹⁰⁸ Kimberly A. Gordon Rouse. "Beyond Maslow's Hierarchy of Needs What do People Strive For?" *Performance Improvement*, vol. 43, no. 10, 2004, pp. 27-31. Although Kimberly A. Gordon Rouse recognised behavioural approach is more complicated than a hierarchy of needs, Maslow's ideas are still relevant.

¹⁰⁹ This is instructive for management. Robert J. Taormina and Jennifer H. Gao argued that Maslow's ideas suggest that as society develops, demands will continue to increase, and people will be more motivated to seek social recognition and respect. Robert J. Taormina, and Jennifer H. Gao. "Maslow and the Motivation Hierarchy: Measuring Satisfaction of the Needs." *American Journal of Psychology*, vol. 126, no. 2, 2013, pp. 155-157. See also, T. Rajasakran., S. Sinnappan, and S.S. Raja. "Purushartha: Maslow's Need Hierarchy Revisited." *Anthropologist*, vol. 18, no. 1, 2014, pp. 199-203; H. Skelsey. "Maslow's Hierarchy of Needs - the Sixth Level." *Psychologist*, vol. 27, no. 12, 2014, pp. 982-993.

¹¹⁰ Mahmaoud A. Wahba, and Lawrence G. Bridwell. "Maslow Reconsidered - A Review of Research on the Need Hierarchy Theory." *Academy of Management Journal*, vol.6, no. 4, 1973, pp. 514-518. See also, J. B. Gayle, and F. R. Searle. "Maslow, Motivation and the Manager." *Management World*, vol. 9, no. 9, 1980, pp. 19-27; A. Neher. "Maslow's Theory of Motivation." *Journal of Humanistic Psychology*, vol. 31, no. 9, 1991, pp. 89-112; Tony J. Watson. "Motivation: That's Maslow, Isn't it?" *Management Learning*, vol. 27, no. 4, 1996, pp. 447-464; GR. Peterson, and S.J. Fisher. "Understanding Motivation: Revisiting Maslow's Theory." *Fisheries*, vol. 23, no. 2, 1998, pp. 28-32; Sunita Singh. Sengupta. "Growth in Human Motivation: Beyond Maslow." *The Indian Journal of Industrial Relations*, vol. 47, no. 1, 2011, pp. 102-110.

¹¹¹ Henry Yeung. Wai-Chung. *Handbook of Research on Asian Business*. Cheltenham, Gloucestershire: Edward Elgar, 2007; S. R. Chatterjee, and Alan R Nankervis. *Asian Management in Transition: Emerging Themes*. New York, NY: Palgrave Macmillan, 2007.

Asian and Western countries at that time.¹¹² More and more theories are proposed based on actual management needs. Harold Koontz named this stage—Management Jungle, due to the appearance of many theories.¹¹³ However, the impact of the Management Jungle is a two-edged sword itself for management. There were more scholars studying management and outcomes were increasingly theoretical.¹¹⁴ According to Koontz, foundations for management research were built, but researchers would be hard-pressed to imagine that there emerged a clear and specific definition of what is management.¹¹⁵ Perhaps, because people developed different understandings of the concept of management, organisation, decision-making, and leadership because as they studied how to master the different contexts, the angle of approach and research methods inevitably produced different management ideas.¹¹⁶ This also actually proves why eastern management thinking is different from the western one because there are fundamental differences in cultural and management needs.

Koontz's argument is convincing, considering the sense that the management science school is using mathematics and operations research methods to solve management problems.¹¹⁷ The only explanation for why so many different schools of management were set up and why people did

¹¹² Leung Kwok, and Steven White. *Handbook of Asian Management*. Boston, MA: Kluwer Academic, 2004.

¹¹³ Harold Koontz. "The Management Theory Jungle Revisited." *The Academy of Management Review*, vol. 5, no. 2, 1980, pp. 175-187.

¹¹⁴ Morgen Witzel. *Management History: Text and Cases*. London, England: Routledge, 2009.

¹¹⁵ Koontz said: "This peculiar phenomenon can be suggested to be caused by such managers who had limited understanding of management. Management theory was still in its infancy". Harold. Koontz. "The Management Theory Jungle Revisited." *Academy of Management Review*, vol. 5, no. 2, 1980, pp. 175-188.

¹¹⁶ George S. Odiorne. "The Management Theory Jungle and the Existential Manager." *The Academy of Management Journal*, vol. 9, no.2, 1966, pp. 109-116; Schollhammer, Hans. "The Comparative Management Theory Jungle." *The Academy of Management Journal*, vol. 12, no. 1, 1969, pp. 81-97; Anant R, Negandhi. "The Comparative Management Theory Jungle." *Academy of Management Journal (pre-1986)*, vol. 13, no. 1, 1970, pp. 103-111.

¹¹⁷ It shows the importance of managing the division of topics. Saul I. Gass, and Carl M. Harris. "Encyclopedia of Operations Research and Management Science." *Journal of the Operational Research Society*, vol. 48, no. 7, 1997, pp. 759-760.

not use a unified management theory, is because these schools studied different aspects of management. Thus, Koontz has drawn attention to the fact that management researchers were unable or unwilling to understand each other.¹¹⁸

Seeds were planted for the next major development in management, with an emphasis on expertise. The mid-twentieth century was a period of remarkable growth in management theories. Writers such as Elton Mayo, Parker Follett, Chester Barnard and Chris Argyris, imported theories from other fields (sociology and psychology) into management.¹¹⁹ Statistical and mathematical insights were imported (often from military uses) thus forming the basis of a field that would subsequently be known as operations management.¹²⁰

Later development in management theory included the theory of constraints, management by

¹¹⁸ In a variety of academic groups, with people wanting to lead in this relatively a new field, main interest seems to be to create a different (and therefore original) management perspectives in an academic context. To defend their originality, to gain a place in history (or at least be able to publish books that might prove their academic status) trend seems to be denigrating, even distorting theories or research outcomes of other scholars. Overall, this is a controversial competitive environment for management. Harold Koontz. "The Management Theory Jungle." *The Journal of the Academy of Management*, vol. 4, no.3, 1961, pp. 174-188.

¹¹⁹ B. S. Rowntree. *The Human Factor in Business*. London, England: Longmans, 1921; Elton Mayo, and Luther H. Gulick. *The Early Sociology of Management and Organisations*. London, England: Taylor & Francis E-Library, 2004; Lacey David. *Managing the Human Factor in Information Security: How to Win Over Staff and Influence Business Managers*. Chichester, West Sussex: Wiley, 2009. See among others, Mary Parker. Follett. *The New State, Group Organisation the Solution of Popular Government*. New York, NY: Longmans, Green and Co, 1926; Chester I. Barnard. *The Functions of the Executive*. Cambridge, MA: Harvard University Press, 1956; Herbert A. Simon, and Chester Irving. Barnard. *Administrative Behavior: A Study of Decision-Making Processes in Administrative Organisation*. New York, NY: Macmillan, 1957; Eunson Baden. *Behaving: Managing Yourself and Others*. Sydney, NSW: McGraw-Hill, 1987; Chris Argyris. *Overcoming Organisational Defenses: Facilitating Organisational Learning*. Boston, MA: Allyn and Bacon, 1990; Mary Parker. Follett. *Mary Parker Follett - Prophet of Management: A Celebration of Writings from the 1920s*. Boston, MA: Harvard Business School Press, 1995; Chester I. Barnard., F. J. Roethlisberger, and William J. Dickson. *Organisation and Management: Selected Papers Early Sociology of Management and Organisations*. London, England: Routledge, 2003; Chris Argyris. *Organisational Traps: Leadership, Culture, Organisational Design*. Oxford, Oxfordshire: Oxford University Press, 2010.

¹²⁰ Britta Gammelgaard, and Paul D. Larson. "Logistics Skills and Competencies for Supply Chain Managment." *Journal of Business Logistics*, vol. 22, no. 2, 2001, pp. 27-42; Peter Jones, and Peter Robinson. *Operations Management*. Oxford, Oxfordshire: Oxford University Press, 2012; R Dan. Reid, and Nada R. Sanders. *Operations Management: An Integrated Approach*. Hoboken, N.J: Wiley, 2013; Jay Heizer, and Barry Render. *Operations Management: Sustainability and Supply Chain Management*. Boston, MA: Pearson, 2014.

objectives, re-engineering, Six Sigma and the Waterfall method of software development.¹²¹

Peter Drucker, one of the first management gurus, was a representative figure. His book *Concept of the Corporation*, published in 1946, was a direct response to Alfred P. Sloan's challenge as Chairman of General Motors; an attempt to gain insights into what was required to manage a far-flung and complex organisation.¹²² The strategic goal of multinational companies, based on international market orientation, is to maximise the global profit.¹²³

Consequently, these "package" activities must be consistent with the company's overall objectives under the control of the parent company and subsidiaries equivalent to the local foreign companies participating in the process of reproduction. Branches, affiliated with a multinational system, necessarily need a highly centralised unified management.¹²⁴ Something new was starting to emerge in the world of organisation-as-machine. This was the rise of what Drucker famously dubbed "knowledge work". He saw that value was not created simply by having workers to produce goods or to execute tasks; workers' use of information also created value. David C. Korten argued this knowledge-based economy management model and it may be called the "people-centred" management model and has been adopted by many businesses

¹²¹ Dorine C. Andrews, and Susan K. Stalick. *Business Reengineering: The Survival Guide*. Englewood Cliffs, NJ: Yourdon Press, 1994; James Champy. *Reengineering Management: The Mandate for New Leadership*. London, England: HarperCollins, 1995; Sun Z. "A Waterfall Model for Knowledge Management and Experience Management." *Personnel Journal*, vol. 1, no. 1, 2004, pp. 472-475; Peter S. Pande. *The Six Sigma Leader: How Top Executives Will Prevail in the 21st. Century*. New York, NY: McGraw-Hill, 2007; Tom, McCarty, Michael Jordan, and Dan Probst. *Six Sigma for Sustainability: How Corporations Can Create a Winning Environmental Program*. New York, NY: McGraw-Hill, 2011; James Nicholson. *Six-sigma*. Oxford, Oxfordshire: Oxford University Press, 2014.

¹²² Peter F. Drucker. *Concept of the Corporation*. New Brunswick, NJ: Transaction Publishers, 2005.

¹²³ Multinational corporations aim to exercise control over foreign companies. Multinational companies, in various fields at a worldwide level, emphasise on the cost of capital, goods, people, technology, managing/trading activities and information.

¹²⁴ To select the suitable talent for the sake of their development, the best multinational companies, often exercise considerable ingenuity in recruitment and deployment, although the form and content are unique, the standard of their selection of personnel and recruiting philosophy has many things in common.

globally.¹²⁵ It may prove particularly applicable in the Digital Music Industry as well.

Thus, new theories of management emerged, putting more emphasis on worker motivation and engagement. Douglas McGregor's "Theory Y" is representative of the genre.¹²⁶ Theory-Y believers create trust-based firms with empowered employees.¹²⁷

As mentioned earlier, McGregor required managers to shift their view of human nature away from a set of assumptions which he called Theory X towards Theory Y. Theory X was a negative theory; assuming people dislike work, lack ambition, act irresponsibly, and prefer to be led. Theory Y categorised workers as able and ambitious to work hard, self-directed, and collaborative. This theory takes the view that either of these extremes, an approach that today,

¹²⁵ As knowledge grew as a proportion of the US economy, the new reality of managing knowledge through people challenged all such organisations who knew about the proper relationship between manager and subordinates. When an organisation's value departs at the end of the working day, a different managerial contract other than the prevalent command-and-control mindset is required. As the knowledge economy developed, business management underwent profound changes, based on human resources management. People are at the heart of the policy, as people's status in an enterprise improves, companies begin to require employees to become more actively engaged in business operations, and staff continue to improve abilities and quality to achieve organisational prosperity and development. David C. Korten. "Strategic Organisation for People-centered Development." *Public Administration Review*, vol. 44, no. 4, 1984, pp. 341-352.

¹²⁶ Theory Y assumes that: Physical and mental effort are natural, and most people (depending on the work environment) find work to be a source of satisfaction. People generally, on their motivation, exercise self-control, self-direction, creativity, and ingenuity in the pursuit of individual and collective (company) goals; Employee either seek responsibility or learn to accept it willingly, and their full potential is not tapped in most organisations. Douglas McGregor. *Theory X and Theory Y: Two Sets of Assumptions in Management*. Santa Monica, CA: Salenger Educational Media, 1974.

¹²⁷ R. L. Lambert, A. I. Wertheimer, and C. A. Johnson. "Motivating the Pharmacy Employee: McGregor's Theories X and Y." *American Pharmacy*, vol. 20, no. 1, 1980, pp. 52-53; C. Holloman. "What McGregor Really Said." *Business Horizons*. Vol. 17, no. 6, 1974, pp. 87-92; C. L. O'Connor. "A Christmas Carol - A Case Study for McGregor's Motivation Theories X and Y." *Journal of Nursing Administration*, vol. 25, no. 12, 1995, pp. 7-18; George Strauss. *Douglas McGregor, Revisted: Managing the Human Side of Enterprise*. Quebec, Quebec: Universite Laval - Departement des Relations Industrielles, 2002; Edmund Heery, and Mike Noon. *Mcgregor's Theory X and Y*. Oxford University Press, 2009.

can define individuals's managers are hesitant to adopt.¹²⁸ An important aspect of McGregor's ideas is his belief that managers, who hold either set of assumptions, can create self-fulfilling prophecies, occurring when a person acts and confirms expectations. In contrast to Theory X, managers with Theory Y assumptions tend to behave in participative ways, allowing their subordinates more job involvement, freedom, and responsibility. This creates opportunities for esteem and self-actualisation.¹²⁹ Workers tend to perform as expected with initiative.

These assumptions serve as powerful behavioural models, reflected in the way an organisation is structured. To answer the question that, what executives do to ensure the transition from a concept of control and authority to a more participative coaching role? As organisational theorists began to explore these ideas (most recently with efforts to understand the "emotional intelligence" factor in management, led by writers such as Daniel Goleman), the emphasis of management shifts.¹³⁰ He believes that people usually take the leader's emotional response as the most effective response, and then automatically adjust their response. This means that leaders will set emotional standards for the organisation.

Therefore, the emotions or attitudes of managers will infect and affect the emotional atmosphere

¹²⁸ Johan Larsson., Stig Vinberg, and Håkan Wiklund. "Leadership, Quality and Health: Using McGregor's X and Y Theory for Analyzing Values in Relation to Methodologies and Outcomes." *Total Quality Management & Business Excellence*, vol. 18, no. 10, 2007, pp. 1147-1158.

¹²⁹ Peter F. Sorensen., and Matt Minahan. "McGregor's Legacy: The Evolution and Current Application of Theory Y Management." *Journal of Management History*, vol. 17, no. 2, 2011, pp. 178-189; Travis L. Russ. "The Relationship between Theory X/Y: Assumptions and Communication Apprehension." *Leadership & Organisation Development Journal*, vol. 34, no. 3, 2013, pp. 238-249.

¹³⁰ Reuven, Bar-On, and James D. A. Parker. *The Handbook of Emotional Intelligence: Theory, Development, Assessment, and Application at Home, School, and in the Workplace*. San Francisco, CA: Jossey-Bass, 2000; Daniel, Goleman. *Emotional Intelligence*. New York, NY: Bantam Books, 2006. See also, Daniel, Goleman., Richard Boyatzis, and Annie McKee. *Primal Leadership, with a New Preface by the Authors: Unleashing the Power of Emotional Intelligence*. Boston, MA: Massachusetts Harvard Business Press, 2013.

of the entire organisation. Consequently, Goleman believed that leaders need to accomplish their tasks by motivating, enlightening, guiding, and directing employees, so they must understand the employees' reactions to their words and actions promptly.¹³¹ Leaders need to enable their employees to release all energy, not just due diligence. Goleman demonstrated the critical importance of leadership to the success of an organisation and extracted it from the organisation management. It reflects the increasing emphasis on management in the aspect of human needs. According to the historical trajectory, it can see the development direction of management thinking, mainly driven by Western thinking and demand. The needs of society promote the development of management science and any theories, put forward, and has its specific social background and theoretical origin.

W. Edward Deming is the founder of modern quality management and is regarded by the Japanese as the key influencer in their postwar economic miracle. Deming was the first management scholar to address Asian management issues.¹³² He was invited to Japan to explain quality control techniques developed in the United States. The result was a lifelong relationship epitomised in the Deming Application Prize, awarded annually in Japan to such companies, which achieve quality excellence. One development from Deming's work was the emergence of total quality management (TQM). Deming's most significant contribution is to give quality

¹³¹ Daniel Goleman., Richard E. Boyatzis, Annie McKee, and Arthur Morey. *Primal Leadership: Realizing the Power of Emotional Intelligence*. Solon, OH: Findaway World, LLC, 2012.

¹³² W E. Deming., Churchill Eisenhart, Lloyd S. Nelson, Fred C. Leone, Harry O. Posten, and Gary C. McDonald. *A Discussion with W. Edwards Deming*. Oak Park, IL: National Television News, 2005.

management a completely new meaning.¹³³ The formation of its theory in management is based on standards that people determine for service or product demand. Therefore, the influence of different cultural backgrounds and regional environments on TQM is much less than other management theories.

TQM approaches begin with an insistence that the total quality commitment applies to everyone and everything in an organisation— from resource acquisition and supply chain management through production and distribution of goods and services, and ultimately to the customer-management relationship.¹³⁴ Deming indicated that managers should consider how every organisational process might be conducted to provide product and service in response to ever-tougher customer and competitive services.¹³⁵ For example, Joseph Juran is known for the slogan “There is always a better way”.¹³⁶ From his research for and commitment, quality has now tied the emphasis on modern management for continuous improvement— if seeking new ways to improve work quality and performance. Strong and lasting relationships can be a fruitful by-product of quality frame of mind. However, it relies on a person never being satisfied; something always can and should be improved. TQM adds one more dynamic dimension to

¹³³ Deming abandoned the traditional explanation and pursued the definition of quality from a brand-new perspective of consumers. In his opinion, the so-called quality, in the final analysis, is to meet the needs of consumers. It is an organisation-wide commitment to continuous improvement, product quality, and customer needs. TQM is mentioned in this research because its core idea is to produce and provide services under the conditions that fully meet customer requirements at the most economical level. W.E. Deming. *Quality, Productivity, and Competitive Position*. Cambridge, MA: Massachusetts Institute of Technology, Center for Advanced Engineering Study, 1982.

¹³⁴ William J. Latzko, W E. Deming, and David M. Saunders. *Four Days with Dr. Deming: A Strategy for Modern Methods of Management*. Reading, MA: Addison-Wesley Pub. Co, 1995.

¹³⁵ W E. Deming. *The Essential Deming: Leadership Principles from the Father of Quality*. New York, NY: McGraw-Hill, 2013.

¹³⁶ Joseph M. Juran, *Quality and Income*. New York, NY: McGraw-Hill, 1999; Joseph M. Juran, and Joseph A. De Feo. *Juran's Quality Handbook: The Complete Guide to Performance Excellence*. New York, NY: McGraw Hill, 2010.

management because the quality is always a moving target.¹³⁷ Through dynamic engagement, TQM should be in every manager's vocabulary. In short, dynamic engagement is an example of the changing face of management theory. TQM also provides a good reference for China's Digital Music management thinking. TQM provides a platform for international economic cooperation and technical exchanges to reach a common practice.¹³⁸ The two parties must have a common interest, unified understanding and consistent norms in the quality of products (including services) before they can cooperate and exchange.¹³⁹

2.3 Modern Management Theories

Modern management theories started in the 1960s. As society continuously relied on group effort, and as many organised groups expanded, managers' tasks increased in importance and complexity. Managerial theory became key for managing complex organisations. Modern management has spread with the growth of social-economics and scientific institutions. Here non-financial rewards are important. Workers' work for their satisfaction and happiness and for a good standard of living.¹⁴⁰ At this stage, the traditional ideas, centred on the functional division of labour and professional cooperation, are gradually replaced by integrated and systematic management ideas with business processes as the core. At the same time, customer value-

¹³⁷ Moreover, an indicator, of just how important quality objectives have become, is the value given to ISO certification by the International Standards Organisation in Geneva, Switzerland, conforming to a rigorous set of international quality standards. Marshall Sashkin. *Putting Total Quality Management to Work: What TQM Means, How to Use It, & How to Sustain It Over the Long Run*. San Francisco, CA: Berrett-Koehler, 1993.

¹³⁸ E Soltani., R. Meer, and T M. Williams. *Performance Management: Tqm Versus Hrm - Lessons Learned*. Glasgow, Scotland: University of Strathclyde, 2003.

¹³⁹ International Standards bring technological, economic and societal benefits, helping to harmonise technical specifications of products and services, making the industry more efficient, and breaking down barriers to international trade.

¹⁴⁰ Ernest Dale, and Leno Ceno Michelson. *Modern Management Methods*. Harmondsworth, London, England: Penguin, 1969. See also, Samuel C. Certo, and S Trevis Certo. *Modern Management*. Upper Saddle River, NJ: Pearson/Prentice Hall, 2006.

oriented management approach and management tools began to appear.¹⁴¹ This stage is also the moment at which China began to enlarge research and started to apply western management theory experimentally as the Soviet Union stopped cooperating with China.¹⁴²

In September 1955, Xuesen Qian and Guozhi Xu developed the introduction of operations research to China.¹⁴³ The Chinese government launched the “Long-term Program for Developing Science and Technology from 1956 to 1967” according to the goals identified in the Communist Party’s general policy for the transition period.¹⁴⁴ Chinese scholars considered the ways to apply mathematical methods to the national economy and apply them to management practice.¹⁴⁵ Management activity is more about its social attributes, that is, the implementation

¹⁴¹ Morgen Witzel. *A History of Management Thought*. London, England: Routledge, 2017.

¹⁴² Khrushchev broke the promise of fulfilment of several hundred agreements with China and withdrew Soviet experts and scholars. Therefore, Enlai Zhou, the Chinese premier, called on the people of the whole nation to discuss and promoted academic research, combined with existing theories for gradual practice according to China’s environment to find management science that would suit China’s national conditions. Qizhi Zhang. *Zhongguo Li Shi*. Beijing: Gao deng jiao yu chu ban she, 2001.

¹⁴³ Xuesen Qian, or Hsue-Shen Tsien, was a Chinese aerospace engineer and cyberneticist who made significant contributions to the field of aerodynamics and established engineering cybernetics. Recruited from MIT, he joined Theodore von Karman’s group at Caltech. For his contributions, he became known as the “Father of Chinese Rocketry”; Guozhi Xu, was an Engineering, Operations Research Specialist, and Academician of Chinese Academy of Engineering. Both are the founders of Chinese scientific management theory. See for examples, Xuesen Qian, and Leslie M. G. Mack. *Notes on Aerodynamics of Compressible Fluids*. Place of publication not identified, 1949; Xuesen Qian, and Yisheng Wu. *She Hui Zhu Yi Xian Dai Hua Jianshe De Ke Xue He Xi Tong Gong Cheng*. Beijing: Zhong gong zhong yang dang xiao chu ban she, 1987; Xuesen Qian, and Jianguo Hou. *Qian Xuesen “huo Jian Ji Shu Gai Lun” Shou Gao Ji Jiang Yi; Qian Xuesen Yu Zhong Guo Ke Xue Ji Shu Da Xue*. Hefei Shi: Zhongguo ke xue ji shu da xue chu ban she, 2008; Xuesen Qian. *Collected Works of H.s. Tsien (1938-1956) [recurso Electrónico]*. Sin Lugar: Academic Press, 2012; Li Ya, and Zhichang Zhu. “Soft OR in China: A Critical Report.” *European Journal of Operational Research*, vol. 23, no.3, 2014, pp. 427-434; Xuesen Qian. *Gong Cheng Kong Zhi Lun: Ying Wen Ban = Engineering Cybernetics*. Shanghai: Shang hai jiao tong da xue chu ban she, 2015; Xuesen Qian. *Engineering Cybernetics*. Shanghai Jiao Tong University Press, 2015.

¹⁴⁴ Jiuchun Zhang, and Zhang Baichun. “Planning Science and Technology: Working out and Implementing the Long-term Program for Developing Sciences and Technology from 1956 to 1967”. *Bulletin of Chinese Academy of Sciences*, no.9, 2019, pp. 982-991.

¹⁴⁵ The mainstream Marxism in China values facts and logic and the subject's conscience, perceiving the best way

of any management activity and the application of management theory must not be separated from their contextual factors, especially those who are the subject and object of management activities, or else the efficiency will be halved or even not efficient at all. In this case, Qian developed effective management science, suitable for China's national conditions. Among them, independent scholar Hua Luogeng's Revelation of Promoting Optimization Method and Overall Planning Method promoted a milestone in Chinese scientific management.¹⁴⁶ He applied the theory outlined in D.J. Wilde's book- "Optimum Seeking Methods", to reasonably arrange the experiment, based on how to use the least number of experiments to find the best "process". This method is simple and has universal value in management. Hua's method also indicated, in the context of cultural differences, that choice and use of theories should pay attention to versatility.¹⁴⁷ It would not be possible to copy the successful experiences of other countries blindly. During the 1960s, China was a country with a low level of scientific and technological development and a different level of education, it was necessary to promote the application of scientific management methods by simplification.¹⁴⁸ It brought a perspective of management

to acquire truth is through rational discussion. Truth is the integration absoluteness and relativity. We firmly believe that human beings can obtain truth. See example from, Shiqiang Zeng, *Guan Li Da Dao: Zhong Guo Guan Li Zhe Xue De Xian Dai Hua Ying Yong*. Beijing: Bei jing da xue chu ban she, 2006.

¹⁴⁶ Luogeng Hua. *Tong Chou Fang Fa Ping Hua Ji Bu Chong*. Xianggang: Chu ban zhe que, 1980; Luogeng Hua, and Peter Shiu. *Introduction to Number Theory*. New York, NY: Springer-Verlag, 1982; Luogeng Hua. *Harmonic Analysis of Functions of Several Complex Variables in the Classical Domains*. Providence, RI: American Math. Soc, 1986; Luogeng Hua. *Ji Hua Jing Ji Da Fan Wei Zui You Hua Shu Xue Li Lun*. Beijing: Zhongguo cai zheng jing ji chu ban she, 1987; Luogeng Hua. *Shu Xue Gui Na Fa*. Beijing: Ke xue chu ban she, 2002.

¹⁴⁷ Lijun Zhang. The Exploration and Practice of Serving Economy Construction with Mathematics—The Revelation of Promoting Optimization Method and Overall Planning Method by Hua Luogeng. *Bulletin of the Chinese Academy of Sciences*, vol. 6, 2011, pp. 698-704.

¹⁴⁸ Ponna Wignaraja. "Poverty eradication: lessons from China and South Korea in the 1950s and 1960s." *International Social Science Journal*, vol.48, 1996, pp.191-205; Junqiang Liu. "Dynamics of Social Policy Development: Theoretical advances since the 1960s." *Sociological Studies*, vol. 4, 2010, pp. 97-134.

theory, on the three aspects of cross-cultural application that needed attention, human, external environment and theoretical applicability.¹⁴⁹

The many themes, reflected throughout this research, build from new approaches as well as from modern management foundations that include the use of quantitative analysis and tools, a systematic view of organisations, contingency thinking, commitment to quality, the role of knowledge management, and learning organisations. To encompass all, this section will examine the three most recognised management school theories: Quantitative Approach, Systems Approach and Contingency Approach. It is important to understand that in one company, all these different approaches may apply and sometimes they may be blended to run a company or organisation.

2.3.1 Quantitative Approach

The Quantitative Approach is also called Operation Research. It aims to achieve a high degree of precision, perfection, and objectivity by encouraging the use of mathematical and statistical tools for solving complex problems.¹⁵⁰ The Quantitative Approach is reliant on statistics and data and has been universally acknowledged as a vital analytical tool and a language for the precise expression of concept and relationship. There is a little doubt that it helps in defining and

¹⁴⁹ Fan Ying. "The Transfer of Western Management to China: Context, Content and Constraints." *Management Learning*, vol. 29, no. 2, 1998, pp. 201-221; Chen Ping, and David Partington. "An Interpretive Comparison of Chinese and Western Conceptions of Relationships in Construction Project Management Work." *International Journal of Project Management*, vol.22, no.5, 2004, pp. 397-406; Leung Kwok. "Never the Twain Shall Meet? Integrating Chinese and Western management research." *Management and Organisation Review*, vol. 5, no.1, 2009, pp. 121-129.

¹⁵⁰ William F. Massy. *Marketing Management: A Quantitative Approach*. Chicago, IL: University of Chicago Press, 1967. See also, Richard I. Levin. *Quantitative Approaches to Management*. New York, NY: McGraw-Hill, 1992; Clare Morris. *Quantitative Approaches in Business Studies*. New York, NY: FT/Prentice Hall, 2003; David Ray. Anderson. *An Introduction to Management Science: Quantitative Approaches to Decision Making*. Mason, OH: South-Western Cengage Learning, 2011.

solving complex problems resulting in orderly thinking. Critics of this approach regard it as too narrow since it is concerned merely with developing mathematical models and solutions for certain managerial problems.¹⁵¹

Evolving from the Decision Theory School, the Mathematical School gives a quantitative basis for decision-making and considers management a system of mathematical models and processes.¹⁵² Operations management is a branch of the quantitative approach to management. It focuses on managing the process of transforming materials, labour and capital into useful goods or services.¹⁵³ Product outputs can either be goods or services. Effective operations management is a concern for both manufacturing and service organisations. Moreover, according to Harvey M. Wagner, the quantitative tools for decision-making are known as “operations research” including linear programming, simulation, queuing theory and game theory.¹⁵⁴ It also implies the use of computer-aided technology in various fields like production, finance, costing, transportation and storage.¹⁵⁵ The main feature of this school is using mixed teams of specialists

¹⁵¹ For an instance, Harold Knootz has expressed a view that: “It is Hard to See Mathematics as a Separate Approach to Management Theory and Mathematics is a Tool Rather Than a School.” Abbas Tashakkori, and Charles Teddlie. *Mixed Methodology: Combining Qualitative and Quantitative Approaches*. Thousand Oaks, CA: Sage, 1998; Paolo Brandimarte. *Quantitative Methods: An Introduction for Business Management*. Hoboken, N.J: Wiley, 2011.

¹⁵² A framework of logical and mathematical concepts, aimed at helping managers in formulating rules that may lead to a most advantageous course of action under the given circumstances. Decision Theory divides decisions into three classes (1) Decisions under certainty: where a manager has far too much information to choose the best alternative. (2) Decisions under conflict: where a manager must anticipate moves and countermoves of one or more competitors. (3) Decisions under uncertainty: where a manager has to dig-up a lot of data to make sense of what is going on and what it is leading to. See example from, Hillel J. Einhorn, and Robin M. Hogarth. “Behavioral Decision Theory: Processes of Judgment and Choice.” *Journal of Accounting Research*. Vol. 1, no.1 1981, pp. 1-11.

¹⁵³ Paul R. Kleindorfer., Kalyan Singhal, and Luk N. Wassenhove. “Sustainable Operations Management.” *Production and Operations Management*, vol. 14, no. 4, 2005, pp. 482-492. See also, R. Dan. Reid, and Nada R. Sanders. *Operations Management: An Integrated Approach*. Hoboken, N.J: Wiley, 2013.

¹⁵⁴ Harvey M. Wagner. *Principles of Operations Research: With Applications to Managerial Decisions*. Englewood Cliffs, NJ: Prentice-Hall, 1975; Wayne L. Winston, and Jeffrey B. Goldberg. *Operations Research: Applications and Algorithms*. Calif: Thomson, 2004.

¹⁵⁵ A. Tarhan, and O. Demirors. “Apply Quantitative Management Now.” *Ieee Software*, vol. 29, no. 3, 2012, pp. 77-85.

from several disciplines.¹⁵⁶ The exponents of this school view management as a system of logical processes.

Richard Bettis et al., indicated that quantitative approach deals with quantities or numbers to explore something.¹⁵⁷ With the use of a Quantitative Approach, a company can improve its decision-making power. It helps management to improve decision-making by increasing the number of alternatives and giving faster decisions on any question, suggesting that it is particularly useful in planning and control, but it is not customary in organising staffing or leadership management where problems are human rather than of technical nature. Management can easily access the risk and benefit of various actions. However, according to Timothy J. McKeown, Quantitative Approach supposes that all variables to decision-making are measurable and inter-dependent and this assumption is not realistic.¹⁵⁸ On an important note, the Quantitative Approach can only suggest alternatives, based on statistical data, and cannot make a final decision. In other words, it can be said that Quantitative Approach cannot be treated as an independent system of management thought and it can only be treated as a tool in managerial

¹⁵⁶ However, Mebane T. Faber and Carlo Vercellis argued that the Quantitative Approach had provided incisive tools for rational decision-making. The algebraic formulation enables practising managers to discover the significant relationships they control. This approach does not take a wide-ranging view of management; instead, it limits it to decision-making. David Ray Anderson., Dennis J. Sweeney, and Thomas Arthur Williams. *An Introduction to Management Science: Quantitative Approaches to Decision Making*. Cincinnati, OH: South-Western College, 2000; Mebane T. Faber. "A Quantitative Approach to tactical Asset Allocation." *The Journal of Wealth Management*, vol. 9, no. 4, 2007, pp. 69-79; Carlo Vercellis. *Business Intelligence: Data Mining and Optimization for Decision Making*. New York, NY: Wiley, 2009.

¹⁵⁷ Richard Bettis, et al. "Quantitative Empirical Analysis in Strategic Management." *Strategic Management Journal*, vol. 35, no. 7, 2014, pp.949-953.

¹⁵⁸ Timothy J. McKeown. "Case Studies and the Limits of the Quantitative Worldview." *Rethinking Social Inquiry: Diverse Tools, Shared Standards*, vol. no. 1, 2004, pp. 139-167.

practice.¹⁵⁹

2.3.2 Systems Approach

Chester Barnard was the first person to utilise the Systems Approach in management.¹⁶⁰ Early contributors to the systems approach include Ludwig Von Bertalanffy, Lawrence J. Henderson and et al.¹⁶¹ They viewed the organisation as an organic and open system, composed of interacting and interdependent parts, called sub-systems.¹⁶² The Systems Approach views management as a system or organised whole, composed of sub-systems integrated into a systematic whole.¹⁶³ Organisations have long been described as cooperative systems that create products, integrating the contributions of many individuals into a common purpose. Cooperation among many people and parts often proves imperfect and requires improvement.

Therefore, according to Martin K. Starr, William Wilcox Robinson and Yoram Zeira, managers

¹⁵⁹ Raj Echambadi, Benjamin Campbell, and Rajshree Agarwal. "Encouraging best Practice in Quantitative Management Research: An Incomplete List of Opportunities." *Journal of Management Studies*, vol. 4, no. 8, 2006, pp. 1801-1820.

¹⁶⁰ Chester Irving Barnard. *Organisation and Management*. New York, NY: Psychology Press, 2003.

¹⁶¹ R D. Agarwal. *Organisation and Management*. New Delhi: Tata McGraw-Hill, 1995. See also, Anonymous. *General Systems: Yearbook of the International Society for the Systems Sciences*. Chichester, West Sussex: Wiley, 1956; Robert L. Kahn. *Organisational Stress: Studies in Role Conflict and Ambiguity*. New York, NY: Wiley, 1964; Lawrence J. Henderson. *On the Social System: Selected Writings*. Chicago, IL: University of Chicago Press, 1970; Daniel Katz, Robert L. Kahn, and J S. Adams. *The Study of Organisations*. San Francisco, CA: Jossey-Bass, 1980; Walter Buckley, and Walter Frederick Buckley. *Society--a Complex Adaptive System: Essays in Social Theory*. London, England: Taylor & Francis, 1998; Ludwig Bertalanffy. *General System Theory: Foundations, Development, Applications*. New York, NY: Braziller, 2015; James D. Thompson. *Organisations in Action: Social Science bases of Administrative Theory*. London, England: Routledge, 2017.

¹⁶² An open system, in contrast, interacts continually with its environment. On the other hand, an organisation that interacts little with its external environment (outside environment) and therefore receives little feedback from it is called a closed system. Moreover, a subsystem is any system that is part of a larger one.

¹⁶³ R D. Agarwal. *Organisation and Management*. New Delhi: Tata McGraw-Hill, vol. 32, no. 1, 1995.

need to understand the full complexity of an organisation by viewing it as a system of interrelated parts, or subsystems, working together to achieve a common purpose. The traditional theorists viewed an organisation as a closed system while modern theorists treat it as an open system.¹⁶⁴ An open system consists of three essential elements.¹⁶⁵ Systems share feedback among each of these three aspects of the system. This overall systems framework applies to any department or program in the overall organisation. Thus, the System Approach highlights the multidimensional and multidisciplinary nature of management.¹⁶⁶

The Systems Approach also looks at the interaction between the social aspects of business and technological changes. In the 1940s, studies conducted at the Tavistock Institute of Human Relations (TIHR) in London looked at how technological changes in coal mining impacted the workers.¹⁶⁷ With the development of new methods to extract coal, workers' roles and skills changed. According to William Ury, Jeanne M. Brett, and Stephen B. Goldberg, as a result, the workers experienced more stress, called in sick more often and with alterations to their social and work structure.¹⁶⁸ These changes in this sub-system caused a ripple effect, impacting on the

¹⁶⁴ Yoram Zeira. "The Systems Approach to Management Development." *Organisational Dynamics*, vol. 3, no. 2, 1974, pp. 65-80; Martin K. Starr. *Operations Management: A Systems Approach*. Danvers, MA: Boyd & Fraser, 1995.

¹⁶⁵ An organisation receives resources such as equipment, natural resources, and the work of employees which can be referred to as inputs (resources such as raw materials, money, technologies, and people). The inputs are transformed, called throughputs (planning, organising, motivating, and controlling) and yield products or services called outputs. Outputs are released into the environment. Feedback is reactions from the environment. William Wilcox Robinson. "A Systems Approach to Management." *Engineering Management Journal*, vol. 6, no.4, 1996, pp. 172-199. Digital Music products and its strategic planning are also inseparable from the expansion of these three elements, which will be discussed in detail in Chapter 4.

¹⁶⁶ However, C. J. H. Mann argued that the Systems Approach aims at identifying the nature of the relationship between various components of the organisation, a larger system. Additionally, Steve Clarke believed that one of system management's most important characteristics is that it is composed of a hierarchy of sub-systems. C. J. H. Mann. "Systems Approaches to Management." *Kybernetes*, vol. 31, no. 1, 2002, pp. 156-169.

¹⁶⁷ Amy L. Fraher. "Systems Psychodynamics: The Formative Years of an Interdisciplinary Field at the Tavistock Institute." *History of Psychology*, vol. 7, no.1, 2004, pp. 65-73.

¹⁶⁸ William Ury, Jeanne M. Brett, and Stephen B. Goldberg. *Getting Disputes Resolved: Designing Systems to Cut the Costs of Conflict*. San Francisco, CA: Jossey-Bass, 1988.

system. Murray Stevens argued that once technology and employees' social needs of employees were re-balanced, productivity increased.¹⁶⁹ The Systems Approach, therefore, relies on all components, or sub-systems, to work in harmony to ensure success for the larger system.

Elio Padoano argued that the Systems Approach focuses on dynamic interdependence between specialised functions.¹⁷⁰ The Systems Approach is useful in management even though it can be suggested as a basic management concept.¹⁷¹ The effect of Systems Theory in management is that it helps managers to look at the organisation more broadly.¹⁷² Managers are beginning to recognise the various parts of the organisation in particular their interrelation. It has also enabled managers to interpret patterns and events in workplaces. It is probably some insights from the Systems Approach that can be applied in the digital industry and this will be examined later in the thesis.

David I. Cleland and William R. King indicated the Systems Approach assists in studying the functions of complex organisations and has been utilised as the basis for the new kinds of

¹⁶⁹ Murray Stevens. *Driving the Economy: Investment, Productivity and Research in the Minerals Industry: University of Auckland*. Wellington, NZ: AusIMM The Minerals Institute New Zealand Branch, 2010.

¹⁷⁰ Elio Padoano. "Systems Approaches to Management." *Interfaces*, vol. 32, no. 1, 2002, pp. 99-100.

¹⁷¹ However, decades of management training and practice, in the workplace, failed to follow this theory. Only recently, according to Harold Kerzner, with changes being faced by organisations and the way they operate to adjust with changes, have educated the managers to recognise this way of looking at things. Harold Kerzner. *Project Management: A Systems Approach to Planning, Scheduling, and Controlling*. New York, NY: John Wiley, 2001.

¹⁷² Martin Reynolds, and Sue Holwell. *Systems Approaches to Managing Change: A Practical Guide*. London, England: Springer, 2009. See also, Michael C. Jackson. *Systems Approaches to Management*. New York, NY: Kluwer Academic/Plenum, 2000.

organisations where project management is required.¹⁷³ It is possible to manage inter-relationships between various functions like planning, organising, directing and controlling. This approach has the edge over the other approaches because it is close to reality. However, it cannot be easily applied to large and complex organisations and it does not provide tools and techniques for managers.

2.3.3 Contingency Approach

The Contingency Approach is also known as the Situational Approach. The rise of Contingency Approach had its profound historical background. During the 1970s, in the United States, the social unrest, economic instability and political unrest were unprecedented. The oil crisis had an impact on western society, making the business environment uncertain.¹⁷⁴ Don Hellriegel and John W. Slocum argued that the scientific management theory and behavioural science theory are powerless when organisations face a rapidly changing external environment.¹⁷⁵ Consequently, people no longer believed that management could be one of the best ways of doing things and rigid style is inefficient in the long term. Management should have the ability to take an appropriate approach to deal with problems in any circumstance. It leads to the emergence of

¹⁷³ David I. Cleland, and William R. King. *Systems Analysis and Project Management*. New York, NY: McGraw-Hill, 1983. See also, Harold Kerzner. *Project Management: A Systems Approach to Planning, Scheduling, and Controlling*. New York, NY: John Wiley, 2001. pp.13; Huanwu Yin, and Zhenlin Wang. *Xiang Mu Guan Li: Xi Tong Hua Fang Fa = a System Approach of Project Management*. Beijing: Ji xie gong ye chu ban she, 2013; Jürg Kuster., Eugen Huber, Robert Lippmann, Alphons Schmid, Emil Schneider, Urs Witschi, and Roger Wüst. *Project Management Handbook*. Berlin, Heidelberg: Springer Berlin Heidelberg, 2015.

¹⁷⁴ The previous theories, such as scientific management theory and behavioural science theory, are focused on strengthening internal management. The oil crisis posed an external threat. Jay W. Lorsch, and John J. Morse. *Organisations and their Members: A Contingency Approach*. London, England: Harper and Row, 1974. See also, Stuart J. Russell., Peter Norvig, and Ernest Davis. *Artificial Intelligence: A Modern Approach*. Upper Saddle River, NJ: Prentice Hall, 2010.

¹⁷⁵ Don Hellriegel, and John W Slocum. *Organisational Design: A Contingency Approach*. Greenwich, London: Elsevier, 1973; Ian Palmer., Richard Dunford, and Gib Akin. *Managing Organisational Change: A Multiple Perspectives Approach*. Boston, MA: McGraw-Hill Irwin, 2009.

a management theory dependent on environmental conditions, the Contingency Approach.

Hellriegel and Slocum indicated that modern management is situational in orientation; it attempted to identify practices that best fit with the demands of unique situations.¹⁷⁶ This required contingency thinking to match managerial responses to problems and opportunities, specific to a different setting, particularly those posed by individual and environmental difference. It researches the outset, then classifies the organisation's situation, and establishes management models suited to the situation.

For the establishment of the model, the larger the organisation, the greater the amount of work required to coordinate. There are different goals and technology in different types of organisation. Position and level will directly affect the adoption of management style. Different jobs require different people and a manager's impact on each subordinate varies. Furthermore, according to Robert T. Lenz and Jack L. Engledow, managers should consider environmental factors while adopting different methods, making the management approach efficient and stable.¹⁷⁷

Thus, there is no expectation that managers can or should find the "one best way" to manage all sort of circumstances. Rather, the contingency perspective tries to help the managers by making

¹⁷⁶ Don Hellriegel, and John W. Slocum. *Management: A Contingency Approach*. Reading, MA: Addison-Wesley, 1974; Michael A. West, Dean Tjosvold, and Ken G. Smith. *International Handbook of Organisational Teamwork and Cooperative Working*. Chichester, West Sussex: Wiley, 2003; B. Hiriappa. *Organisational Behavior*. New Delhi: New Age International, 2009.

¹⁷⁷ Robert T. Lenz, and Jack L. Engledow. "Environmental Analysis: The Applicability of Current Theory." *Strategic Management Journal*, vol. 7, no. 4, 1986, pp. 329-346.

them understand situational differences and respond in ways appropriate to their unique characteristics.¹⁷⁸ Secondly, for managerial policies and practices to take effect, the changes in the environment must be taken into account. Thirdly, diagnostic skills should be improved besides having the capability to cope with environmental change. Fourthly, managers should have sufficient human relations skills to accommodate and stabilise the change. Finally, the contingency model should be used for designing the organisation, expanding its information and communication system, following proper leadership styles and preparing suitable objectives, policies, strategies, programmes and practices.¹⁷⁹ The Contingency Approach looks to hold a great deal of promise for the future development of management theory and practice. Importantly, it is frequently used for the management of the Creative industry and can be suggested to prove a suitable management approach for the Digital Music Industry in China.¹⁸⁰

Robert Justis argued that the Contingency Approach requires the effectiveness of leadership and is contingent upon whether the manager can control and affect the group's situation or outcome simultaneously.¹⁸¹ The task of assigning specific work roles to employees is an integral component of a manager's job by the description in the Contingency Approach model. The structure of the work task may be high, subject to standard procedures and adequate measures of assessment. Subsequently, it increases the pressure on a manager to ensure the success of

¹⁷⁸ Roger Oldcorn. *Management*. Basingstoke, Hampshire: Macmillan, 1996; Hew, Strachan. "Strategy and Contingency." *International Affairs*, vol. 87, no.6, 2011, pp. 1281-1296.

¹⁷⁹ Sang M. Lee, Fred Luthans, and David L. Olson. "A Management Science Approach to Contingency Models of Organisational Structure." *The Academy of Management Journal*, vol. 25, no. 3, 1982, pp. 553-566.

¹⁸⁰ Haichao Feng. "Guo Ji Shu Zi Yin Yue Fu Wu De Chuang Xin Mo Shi." *Internet Weekly*, vol. 1, no. 2, 2013, pp. 34-56.

¹⁸¹ Robert Justis. "Leadership Effectiveness, a Contingency Approach." *Academy of Management Journal*, vol. 18, no. 1, 1975, pp. 160-172; John Antonakis., Anna T. Cianciolo, and Robert J. Sternberg. *The Nature of Leadership*. Thousand Oaks, CA: Sage Publications, 2004.

given projects due to his/her responsibility of assigning different project activities to different personnel. Moreover, managers' decisions and divvying up work duty could be seen as the main reason for project completion, missed deadlines or outright project failure.

On the other hand, according to Odies C. Ferrell and Larry G. Gresham, the Contingency Approach encourages managers to think about the consequences of decisions as they relate to the whole company.¹⁸² A manager's actions must reflect the culture, commitment to employee safety and well-being, profit orientation, brand positioning and customer-service attitudes of the entire organisation. It is a key for Creative Management and may be applied in Digital Music management.¹⁸³ In short, unforeseen contingencies may arise but managers still need the flexibility to adjust to them.

A Contingency Approach is beneficial to organisations because of the potential for learning from specific situations and using these lessons to influence future management. An advantage of the Contingency Approach is that it is able to adapt to external pressures and changes. According to Fred E. Fiedler, there is no fixed management model in the world.¹⁸⁴ Planning, organisation, leadership, and control all need to adapt to the environment that the organisation faces. Moreover,

¹⁸² Odies C. Ferrell., and Larry G. Gresham. "A Contingency Framework for Understanding Ethical Decision Making in Marketing." *Journal of Marketing*, vol. 49, no. 3, 1985, pp. 87-96.

¹⁸³ Paul Springer, and Mel Carson. *Pioneers of Digital: Success Stories from Leaders in Advertising, Marketing, Search, and Social Media*. London, England: Kogan Page, 2012.

¹⁸⁴ Fred E. Fiedler. *Leader Attitudes and Group Effectiveness*. Westport, CT: Greenwood Press, 1981; Paul Hersey, Kenneth H. Blanchard, and Ronald K. Hambleton. *Contracting for Leadership Style: A Process and Instrumentation for Building Effective Work Relationships*. San Diego, CA: University Associates, 1988; Stephen Drotter. *The Performance Pipeline: Getting the Right Performance at Every Level of Leadership*. San Francisco, CA: Jossey-Bass, 2013.

Carol B. Callahan and L. L. Wall argued that the Contingency Approach might prove an improvement over the Systems Approach.¹⁸⁵ The Systems Approach has long recognised interactions between the sub-systems of an organisation.

The Contingency Approach also recognises that the organisational system is the product of the interaction of the sub-systems and the environment.¹⁸⁶ Besides, it seeks to identify the exact nature of interactions and inter-relationships. This provides a perspective for the application of cross-cultural management theory. Contingency thinking is an important theme in management, and its implications extend to all the management functions. According to Peter Whalen et al., the contingency theory believes that no single, unchanging organisational structure is continuous and effective, and the optimal structure changes with contingency factors such as strategy, scale, technology and environment.¹⁸⁷ This system seems applicable to the changing environment of the Digital Music Industry in China.

Managers, consultants and researchers who tried to apply the theoretical concepts of the major schools to real-life scenarios developed the Contingency Approach, sometimes also called the Situation Approach. The Contingency Approach enables management to change employee roles to meet the individual needs of a given project quickly. The highly tailored nature of project

¹⁸⁵ Carol B. Callahan, and L. L. Wall. "Participative Management: A Contingency Approach." *The Journal of Nursing Administration*, vol. 17, no.9, 1987, pp. 19-27; Laurie J. Mullins. *Management and Organisational Behaviour*. London, England: Pearson Education, 2010; Andrew Hiles. *The Definitive Handbook of Business Continuity Management*. Hoboken, N.J: Wiley, 2013.

¹⁸⁶ John H. Evans., Barry L. Lewis, and James M Patton. "An Economic Modeling Approach to Contingency Theory and Management Control." *Accounting, Organisations and Society*, vol. 11, no.6, 1986, pp. 483-498.

¹⁸⁷ Peter Whalen, et al. "Anatomy of Competitive Advantage: Towards a Contingency Theory of Entrepreneurial Marketing." *Journal of Strategic Marketing*, vol. 24, no.1, 2016, pp. 5-19.

assignments also increases the chances of a company to have the right people at the right place to complete a job to the satisfaction of the client. However, it can be inferred that if managers do not plan, the risks of a given project will increase substantially and it may lead to a sudden lack of skilled personnel to meet any challenge or opportunity.¹⁸⁸

The interaction between management activities and the various elements of the organisation reflects the effectiveness of management. Therefore, different management methods must be determined according to the type of relationship of each element of the organisation and the specific functional relationship between each component and the interaction between management activities. The Digital Music Industry is a rapidly changing industry, which is in line with the application of the contingency theory. The detailed analysis in the later Chapters will link to the contingency theory's characteristic.

On the other hand, there are many studies which criticise and explains the limitations of contingency theory as well.¹⁸⁹ Especially in the study of Digital Music, some scholars have

¹⁸⁸ Moreover, on a summarised note, according to Billy Wadongo and Magdy Abdel-Kader, the central idea of contingency theory is: a) The organisation is an open microscopic system in the social network, which is influenced by the environment. Therefore, according to the situation and role of the organisation in the social system, the corresponding organisational management measures must be taken to maintain the best adaptation to the environment. b) The organisation's activities are the process of tending toward organisational goals in the form of feedback under changing conditions. Therefore, it is necessary to adopt a management approach based on the short-term goals of the organisation and the conditions at the time. Billy Wadongo, and Magdy Abdel-Kader. "Contingency Theory, Performance Management and Organisational Effectiveness in the Third Sector: A Theoretical Framework." *International Journal of Productivity and Performance Management*, vol. 63, no.6, 2014, pp. 680-703.

¹⁸⁹ See for examples, Fremont E. Kast, and James E. Rosenzweig. "General systems theory: Applications for Organisation and Management." *Academy of Management Journal*, vol.15, no. 4 1972, pp. 447-465; Ari Ginsberg, and Venkat Venkatraman. "Contingency Perspectives of Organisational Strategy: A Critical Review of the Empirical Research." *Academy of Management Review*, vol. 10, no. 3, 1985, pp. 421-434; Bellisario Andrea., Andrea Appolloni, and Francesco Ranalli. "Reviewing Strategy Matters to Gain an Understanding of Balanced Scorecard's Possible Benefits within Lean Production Contexts: A Management Control Perspective." *International Journal of Manufacturing Technology and Management*, vol. 29, no.1, 2015, pp. 1-29; Billy Wadongo, and Magdy Abdel-Kader. "Contingency Theory, Performance Management and Organisational Effectiveness in the Third Sector: A Theoretical Framework." *International Journal of Productivity and Performance Management*, vol. 63, no.6, 2014, pp. 680-703.

already indicated the application factors that limit the theory of contingency.¹⁹⁰ The main factors restricting contingency theory can be suggested as the size of the organisation; the adaptability of the organisation to the external environment; the gap between organisational resources and business activities; strategy and technology.

Online service providers have begun to show an increasing interest in marketing opportunities which can be offered by Digital Music in China. Digital Music providers in China have started to pursue differentiation through expanded service offerings in response to the intensification of rivalry among the range of competitors.¹⁹¹ Nevertheless, as marketing strategy begins to play a greater role in these organisations, managers may need to consider adopting the Contingency Approach to fit the changeable environment in China's Digital Music Industry. In this process, the application methods, advantages and disadvantages of the contingency theory will be further amplified. Meanwhile, it also has a positive impact on the business model and strategic management of Digital Music Industry.¹⁹²

2.4 The Origin of Strategic Management

In the late 1970s, the status of strategic management as an independent discipline and research

¹⁹⁰ Mark AAM Leenders, et al. "How are Young Music Artists Configuring their Media and Sales Platforms in the Digital Age?" *Journal of Marketing Management*, vol. 31, no.17-18, 2015, pp. 1799-1817; Bob Hinings, Thomas Gegenhuber, and Royston Greenwood. "Digital innovation and Transformation: An Institutional Perspective." *Information and Organisation*, vol. 28, no. 1, 2018, pp. 52-61.

¹⁹¹ Hardy Y, Xiang, and Patricia A Walker. *China Cultural and Creative Industries Reports 2013*. Dordrecht: Springer, 2013.

¹⁹² Harrigan Kathryn Rudie. "Research Methodologies for Contingency Approaches to Business Strategy." *Academy of Management Review*, vol. 8, no. 3, 1983, pp. 398-405; Charles W. Hofer. "Toward a Contingency Theory of Business Strategy." *Strategische Unternehmensplanung/Strategische Unternehmensführung*. Physica, Heidelberg, 1990. pp. 151-175; Nitin Nohria, and Rakesh Khurana, eds. *Handbook of Leadership Theory and Practice*. Harvard Business Press, 2010.

field got recognition gradually, and it was given due value in the academic world.¹⁹³ Kenneth R. Andrews proposed a two-stage basic strategic management model for corporate strategy including the formulated stage and implemented stages.¹⁹⁴ He defines strategy as the match between what the company can do (organisational strengths and weaknesses) and what is possible to do (environmental opportunities and threats). Accordingly, Andrews proposed a SWOT (Strength, Weakness, Opportunity and Threat) analysis framework in the process of strategy formulation in 1965.¹⁹⁵ The SWOT is a tool and not a robust process for strategy management; its strengths and limitations both have a profound impact on strategic management research.¹⁹⁶ Edmund Philip Learned, Kenneth R. Andrews, C. Roland Christensen and William D. Guth stated that: “On its own, it is said that a SWOT analysis is meaningless”¹⁹⁷.

They believed that SWOT analysis only works well if it is undertaken in the context of the organisation, its goals and marketplace. Meanwhile, several studies have shown that, if misused, the framework of SWOT analysis, will eventually harm performance when the requirements and

¹⁹³ Bracker Jeffrey. “The Historical Development of the Strategic Management Concept.” *Academy of Management Review*, vol.5, no. 2, 1980, pp. 219-224.

¹⁹⁴ Kenneth R. Andrews. “The Concept of Corporate Strategy.” *Resources, Firms, and Strategies: A Reader in the Resource-based Perspective*, vol. 52 no.3, 1997, pp. 61-71; Kenneth R. Andrews, *The Concept of Corporate Strategy*. New York, NY: Primis Custom Pub, 1999.

¹⁹⁵ Eric H Shaw, and Kendall Goodrich. “Development of a Conceptual Framework.” *Journal of Child Psychotherapy*, vol. 40, no.1, 2014, pp. 73-89.

¹⁹⁶ Doug Leigh. “SWOT analysis.” *Handbook of Improving Performance in the Workplace*, vol.1, no. 3, 2009, pp.115-140; Florin Popescu, and Cezar Scarlat. “Limits of SWOT Analysis and Their Impact on Decisions in Early Warning Systems.” *SEA: Practical Application of Science*, vol. 3, no.1, 2015, pp.17-26; Emet Gürel, and Merba Tat. “SWOT analysis: A Theoretical Review.” *Journal of International Social Research*, vol.10, no. 51, 2017, pp. 172-193.

¹⁹⁷ Edmund P. Learned., Kenneth R. Andrews, C. R. Christensen, and William D. Guth. *Business Policy: Text and Cases*. Homewood, IL: Irwin, 1965.

needs of adaptation are not precise.¹⁹⁸

Raymond E. Miles and Charles C. Snow first proposed a classification system for basic competitive strategies in 1978.¹⁹⁹ Their research proposes a more specific concept of strategic management, that different enterprises adopt different strategies when dealing with external market positioning, internal organisational procedures and technical operation processes.²⁰⁰ It suggests that business-level strategies generally fall into one of four categories; prospector, defender, analyser and reactor. They emphasised that the organic combination of corporate strategy and organisational structure are essential for the application of a strategy. They acknowledge the possibility of the same path that any stable approach in the fundamental strategic system can lead to an excellent performance. It can be suggested as the first instance for strategic management to independently put forward a complete theoretical system based on management research.²⁰¹ To a large extent, such an establishment provides a timely and effective legal basis for the portrayal of strategic management as an independent discipline.

Harry Igor Ansoff constructed the strategic management model based on system theory and

¹⁹⁸ John Fahy, and Alan Smithee. "Strategic Marketing and the Resource Based View of the Firm." *Academy of Marketing Science Review*, vol. 10, no.1, 1999, pp. 1-21. See also, Terry Hill, and Roy Westbrook. "SWOT analysis: It's Time for A Product Recall." *Long Range Planning*, vol. 30, no. 1, 1997, pp. 46-52; Marilyn M. Helms, and Judy Nixon. "Exploring SWOT analysis—where are we now? A Review of Academic Research from the Last Decade." *Journal of Strategy and Management*, vol. 3, no. 3, 2010, pp. 215-251.

¹⁹⁹ Raymond E. Miles., Charles C. Snow, and Alan D. Meyer. *Organisational Strategy, Structure, and Process*. Stanford, CA: Stanford University Press, 2008.

²⁰⁰ Wayne S. DeSarbo, et al. "Revisiting the Miles and Snow Strategic Framework: Uncovering Interrelationships Between Strategic Types, Capabilities, Environmental Uncertainty, and Firm Performance." *Strategic management journal*, vol. 26, no.1, 2005, pp. 47-74.

²⁰¹ John McGee, and Howard Thomas. "Strategic groups: Theory, Research and Taxonomy." *Strategic Management Journal*, vol. 7, no. 2, 1986, pp. 141-160.

divided management decision-making into three elements: strategic, administrative and operational.²⁰² He strengthened the concept of “strategic management” as follows:

“Strategic management is a set of processes for planning, designing, implementing and evaluating strategies. If it is to form a specific and clear goal of the company’s strategy, the target needs to give to the corresponding person in charge. Then, the corresponding plan set for each purpose, and it transformed into a specific task. Finally, the whole process of performance appraisal is strategic management”.²⁰³

Ansoff believed that strategic management refers to the combination of daily business decisions and long-term planning decisions to form a series of management business.²⁰⁴ It is the origin of the way by which the internal structure of the organisation changes. He is a representative of strategic management for the enterprise itself. On the other hand, strategic management

²⁰² Harry Igor. Ansoff, and Richard Brandenburg. “A Language for Organisational Design.” *Management Science*. vol. 17 no.7, 1971, pp. 717-731; See also, Harry Igor. Ansoff. “Managing Strategic Surprise by Response to Weak Signals.” *California Management Review*, vol. 1, 1975, pp. 17-21; Harry Igor. Ansoff. *An Applied Managerial Theory of Strategic Behavior*. Brussels, 1975; Harry Igor. Ansoff., Jan Eppink, and H Gomer. *Management of Strategic Surprise and Discontinuity: Problem of Managerial Decisiveness*. Brussels, 1978; Harry Igor. Ansoff. “Strategic Issue Management.” *Strategic Management Journal*, vol. 1, no. 2, 1980, pp. 131-148; Harry Igor. Ansoff, and Jan Joele. *Understanding and Managing Strategic Change: Contributions to the Theory and Practice of General Management*. Amsterdam: North-Holland Publ Co, 1982; Harry Igor. Ansoff. *Corporate Strategy*. Harmondsworth, London: Penguin Books, 1987; Harry Igor. Ansoff, and Patrick A Sullivan. “Optimizing Profitability in Turbulent Environments: A Formula for Strategic Success.” *Long Range Planning*, vol. 26, no. 5, 1993, pp. 11-23.

²⁰³ Harry Igor. Ansoff., Daniel Kipley, and A O. Lewis. *Implanting Strategic Management*. Upper Saddle River, NJ: Prentice Hall, 2019.

²⁰⁴ Bosman, Storm, Joele, Ansoff, Bosman, Aart, Storm, Peter M, Joele, Jan, and Ansoff, H. Igor. *Understanding and Managing Strategic Change: Contributions to the Theory and Practice of General Management*. Amsterdam: North-Holland, 1982; Antoniou, Peter H, and H. Igor Ansoff. “Strategic Management of Technology.” *Technology Analysis & Strategic Management*, vol. 16, no. 2, 2004, pp. 275-291; Harry Igor. Ansoff. *Strategic Management*. Classic ed. Basingstoke, Hampshire: Palgrave Macmillan, 2007.

advocated by George A. Steiner refers to the management of the formulation, implementation, control and revision of strategic management.²⁰⁵ Steiner indicated that strategic management is the activity that the enterprise formulates a long-term strategy and carries out.²⁰² It is the management process for the enterprises to realise their vision in the process of dealing with the relationship between the enterprise and the environment. European economics and management scholars have always placed the theory of corporate competitive strategy at the forefront of academic research, which has effectively promoted the development of corporate competition strategy theory. Looking back on the development process spanning over past twenty years, the theory of corporate competition strategy has to lead to the emergence of four major strategic schools of thought; industry-based view, resource-based view, capabilities-based view and Institution-based view.

2.4.1 Industry-Based View, Competitive Strategy.

Although the groundwork for the analytical framework for strategic management, in the late 1970s, there are only a few studies on how was laid to effectively match the actual management with the strategy to gain a competitive advantage. The reason is that before the 1980s, for such companies, who used to employ strategic management, it was sufficient to achieve business goals to meet the needs of market competition.²⁰⁶ There used to be no special need for

²⁰⁵ George A. Steiner. *Strategic Planning: What Every Manager Must Know*. New York, NY: Free Press, 1979. See also, George A. Steiner, John B. Miner, and Edmund R. Gray. *Instructor's Resource Manual: Management Policy and Strategy: Text, Readings, and Cases*. New York, NY: Macmillan, 1982; George A. Steiner, and John B. Miner. *Management Policy and Strategy*. New York, NY: Macmillan, 1986; George A. Steiner, and John F. Steiner. *Business, Government, and Society: A Managerial Perspective: Text and Cases*. New York, NY: McGraw-Hill, 1994.

²⁰⁶ D. E. Hussey. *Strategic Management: Theory and Practice*. Oxford, Oxfordshire: Pergamon, 1994.

competitive strategy and competitive advantage at that time. However, since the 1980s, the competitive environment of the market has undergone dramatic changes.²⁰⁷

Porter's five forces analysis provides a universally applicable framework, which solves the analysis problem for opportunity and threat to external factors in the SWOT framework.²⁰⁸ The resultant force of these five forces is a competitive power and earns the power for enterprises. Moreover, Porter reclassified the strategy into three components of generic competitive strategy; overall cost leadership, differentiation and focus strategy.²⁰⁹

Porter's main contribution is the introduction of Structure Behaviour Performance (S-C-P) into the research of strategic management analysis, completely subverting the goal of industrial organisation economics to serve government policy.²¹⁰ Porter enables industry analysis methods to serve businesses operation and give guidance about how to understand, predict, and

²⁰⁷ Michael E. Porter. "The Five Competitive Forces that Shape Strategy." *Harvard Business Review*, vol. 86, no.1, 2008, pp. 25-40.

²⁰⁸ The first breakthrough came from Michael Porter of Harvard Business School. Porter believed that enterprises should consider not more than five kinds of forces in the competition which include 1) Threat of new entrants; 2) Threat of substitute products or services; 3) Bargaining power of Buyers; 4) Bargaining power of suppliers; 5) Intensity of competitive rivalry. Michael E. Porter. *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. Free Press, 2004.

²⁰⁹ Michael E. Porter. *Competitive Advantage: Creating and Sustaining Superior Performance: with a New Introduction*. New York, NY: Free Press, 1985. See also, Michael E. Porter. *From Competitive Advantage to Corporate Strategy*. Boston, MA: Harvard Business Review, 1987; Michael E. Porter, and Cynthia A. Montgomery. *Strategy: Seeking and Securing Competitive Advantage*. Boston, MA: Harvard Business School Press, 1991; Michael E. Porter. *On Competition and Strategy*. Boston, MA: Harvard Business School Press, 1991.

²¹⁰ Structure-behaviour-performance (S-C-P) is a classic analysis paradigm of industrial organisation theory. According to the paradigm, if the industry concentration is high, then the enterprises in the industry will replace the monopolised profits by setting barriers and raising prices. The result would hinder technological progress and would affect the efficiency of resource allocation. Therefore, to achieve the desired market performance, the most important thing is to adjust and improve the unreasonable market structure through public policies, thereby limiting the development of power monopoly to maintain moderate competition in the market. Orges Ormanidhi, and Omer Stringa. "Porter's Model of Generic Competitive Strategies." *Business Economics*, vol. 43, no.3, 2008, pp. 55-64.

manipulate market structures.²¹¹ Therefore, the primary task of strategic management research addresses industrial positioning based on the Porter five forces analysis and the S-C-P paradigm. Since then, the concept of industrial positioning and competitive strategy has become the subject of strategic management.²¹²

Meanwhile, Porter's method has also received a lot of criticism. Richard J. Speed, Philip Yetton, Jane Craig as well as Davies Howard and Paul Ellis argued that Porter's Competitive strategic view does not give sufficient attention to these environmental factors.²¹³ The mainstream view, presented by Harvard Business School, considers the environment and strategy, adopted by a company, as an extremely complex system.²¹⁴ It is only possible to draw a correct conclusion by analysis of each case by each relevant perspective. Porter simplified the complex environmental factors into five forces and reduced the diversified strategic form into three basic competitive strategies, which are not compatible with the traditional business school of thought.

²¹¹ Michael E. Porter. *Cases in Competitive Strategy*. New York, NY: Free Press, 1983.

²¹² Michael E. Porter. "Industry Structure and Competitive Strategy: Keys to Profitability." *Financial Analysts journal*, vol. 36, no. 4, 1980, pp. 30-41.

²¹³ See from examples, Richard J. Speed. "Oh, Mr Porter! A Re-appraisal of Competitive Strategy." *Marketing Intelligence & Planning*, vol. 7, no.1, 1989, pp. 8-11; Philip Yetton. *Are Diamonds a Country's Best Friend? A Critique of Porter's Theory of National Competition as Applied to Canada, New Zealand and Australia*. Kensington, London: Australian Graduate School of Management, 1992; Davies Howard, and Paul Ellis. "Porter's Competitive Advantage of Nations: Time for the Final Judgement?" *Journal of Management Studies*, vol. 37, no.8, 2000, pp. 1189-1214.

²¹⁴ Stephen A. Zeff. "The Contribution of the Harvard Business School to Management Control, 1908-1980." *Journal of Management Accounting Research*, vol. 20, no.1, 2008, pp. 175-208.

His theory was criticised mainly due to ignorance of historical and social institutional factors.²¹⁵

Formal government policies and informal media and consumer sentiments played an important role in the formation of a competitive environment. Environmental factors directly determine what can be done and what cannot be done in one competition.²¹⁶

The criticism of Porter's research eventually converges into a single issue.²¹⁷ If the competitive advantage can be achieved by taking a different positioning, how can significant difference of performance, between companies of the same size and using similar strategies be explained? Difference in performance of companies, having same size, results due to the employment of

²¹⁵ However, gauging the intensity of competitive rivalry of Porter's five forces model as an example, his strategic view of the industry rarely explores the reasons behind the competitiveness. Fabian Dälken. *Are Porter's Five Competitive Forces Still Applicable? A Critical Examination Concerning the Relevance for Today's Business*. BS Thesis. University of Twente, 2014; Shaker A. Zahra, and Jeffrey G. Covin. "Business Strategy, Technology Policy and Firm Performance." *Strategic Management Journal*, vol.14, no.6, 1993, pp. 451-478. Moreover, Chinese scholars often use Pitt's model as a reference when applying Western theories to Chinese contexts. Shigang Yan. "Competitive Strategy and Business Environment: The Case of Small Enterprises in China." *Asian Social Science*, vol. 6, no. 11, 2010, pp. 64-79; Jos Gamble. "Transferring Organizational Practices and the Dynamics of Hybridization: Japanese Retail Multinationals in China." *Multinational Retailers and Consumers in China*. London: Palgrave Macmillan Co, 2011. pp. 107-140; Deng Fei, Guiwen Liu, and Zhigang Jin. "Factors Formulating the Competitiveness of the Chinese Construction Industry: Empirical Investigation." *Journal of Management in Engineering*, vol. 29, no. 4, 2013, pp. 435-445.

²¹⁶ Under certain conditions, the cost leadership strategy may be accused of being immoral. For example, Wal-Mart has caused troubles due to the adoption of the "daily low price" strategy. Furthermore, blind pursuance of the cost leadership strategy, while ignoring trade laws and regulations of the host country, it is very likely to attract anti-dumping lawsuits in international trade. Howard Davies argued that the lack of support from practical experience and the industrial cases cited Porter's work and the discussion are deliberately selected and retouched. John A. Parnell, and Donald L. Lester. "Competitive Strategy and the Wal-Mart Threat: Positioning for Survival and Success." *SAM Advanced Management Journal*, vol. 73, no.2, 2008, pp. 13-16; Howard Davies, and Paul Ellis. "Porter's Competitive Advantage of Nations: Time for the Final Judgement?" *Journal of Management Studies*, vol. 37, no. 8, 2000, pp. 1197-1213.

²¹⁷ Frans A. J. Van den Bosch, and Arno A. Van Prooijen. "The Competitive Advantage of European Nations: The Impact of National Culture—A Missing Element in Porter's analysis?" *European Management Journal*, vol. 10, no. 2, 1992, pp. 173-177.

different resources by each company and due to adherence to different procedures being implemented by each company significantly yields different results for each company. The diverse history and culture of the company might have led to this difference in strategy in dealing with the external environment. This thinking led to the rise of the “resource and capacity” school of thought from the 1980s to onwards.

2.4.2 Resource School, Resource-Based View

In 1984, the scholar who first proposed the resource-based view (also known as the resource-advantage theory) was Birger Wernerfelt.²¹⁸ He introduced concepts such as “resource location barriers” which is similar to the definition of entry barriers in industrial economics. Sayan Chatterjee and Wernerfelt believed that capabilities and resources are the core of competition which require full consideration of the needs, scarcity and suitability by analysing the direction and mode of diversified business, based on the combination of resource.²¹⁹

Jay B. Barney is the scholar to whom development of the resource-based view can be attributed,

²¹⁸ Birger Wernerfelt. “A Resource-Based View of the Firm.” *Strategic Management Journal*, vol. 5, no. 2, 1984, pp. 171-180. See also, Birger Wernerfelt. “The Resource-based View of the Firm: Ten Years After.” *Strategic Management Journal*, vol. 16, no. 3, 1995, pp. 171-174; Wernerfelt, Birger. *Adaptation, Specialization, and the Theory of the Firm: Foundations of the Resource-Based View*. Cambridge, Cambridgeshire: Cambridge University Press, 2016.

²¹⁹ Sayan Chatterjee, and Birger Wernerfelt. *Related or Unrelated Diversification: A Resource Based Approach*. West Lafayette, Krannert Graduate School of Management, Purdue University, 1986; Sayan Chatterjee, and Birger Wernerfelt. “The Link between Resources and Type of Diversification: Theory and Evidence.” *Strategic Management Journal*, vol. 12, no. 1, 1991, pp. 33-48.

and he made outstanding contributions for its.²²⁰ His research on the strategic resource, for the first time, explored inequalities in the distribution of resources amongst enterprises and their strategic implications on a theoretical basis.²²¹ Heterogeneity may lead some companies to have an imitation strategy that would allow them to maintain a sustainable competitive advantage and excellent business performance. The resource-based view focuses on the vision and courage that entrepreneurs need to make decisions about resources and capabilities in the face of uncertainty and complexity.²²²

In 1989, the discussion between Barney, Ingemar Dierickx and Karel Cool gradually led to theory evolving and improving.²²³ They indicated that the standard theory paradigm of the mainstream resource-based view is the VRIN (valuable, rare, inimitable, and non-substitutable) framework analysis.²²⁴ The main argument of the Resource School believes that the main content of the strategy is to cultivate, the unique strategic resources and the ability to optimise

²²⁰ Jay B. Barney, and Dave Ulrich. *Perspectives in Organisation Theory: Resource Dependence, Efficiency, and Ecology*. Ft. Belvoir: Defense Technical Information Center, 1981. See also, Jay B. Barney, and Edward J. Zajac. *Competitive Organisational Behavior: Toward an Organisationally-Based Theory of Competitive Advantage*. Chichester, West Sussex: Wiley, 1994; Jay B. Barney. "The Resource-Based Theory of the Firm." *Organisation Science*, vol. 7, no. 5, 1996, pp.469; Gautam Ray, and Jay B. Barney. "Capabilities, Business Processes and Competitive Advantage: Choosing the Dependent Variable in Empirical Tests of the Resource-Based View." *Strategic Management Journal*, vol. 25, no. 1, 2004, pp. 23-37.

²²¹ Heterogeneity seamlessly blends the elaboration of the resource-based view with Porter's view of competitive strategy Jay B. Barney. "Resource-based Theories of Competitive Advantage: A Ten-year Retrospective on the Resource-based View." *Journal of Management*, vol. 27, no. 6, 2001, pp. 643-650.

²²² Richard P. Rumelt, and Robert Lamb. "Competitive Strategic Management." *Toward a Strategic Theory of the Firm*, vol. 26, no. 1, 1984, pp. 556-570. This theoretical approach will be discussed in more depth in Chapters 5 and 6, because the data based on interviews 5,6, 10, 14, 15, 17, show that resource-based view approach is closer to the logic of Chinese managers.

²²³ Bernadette M. Ruf, et al. "An Empirical Investigation of the Relationship between Change in Corporate Social Performance and Financial Performance: A Stakeholder Theory Perspective." *Journal of Business Ethics*, vol. 32, no. 2, 2001, pp. 143-156.

²²⁴ Jay B. Barney. "Asset Stocks and Sustained Competitive Advantage: A Comment." *Management Science*, vol. 35, no. 12, 1989, pp. 1511-1513; Ingemar Dierickx, and Karel Cool. "Asset stock Accumulation and Sustainability of Competitive Advantage." *Management Science*, vol. 35, no. 12, 1989, pp. 1504-1511.

the allocation of such vital resources of the company.²²⁵ Each company's resources and capabilities are different, and even in the same industry, each company does not necessarily have similar resources or capabilities. Therefore, differences in the strategic resources and the ability to use such resources become the beginning of competitive advantage. Accordingly, the choice of competitive strategy needs to support the cultivation of strategic resources. The primary task of strategic management should be to make the best effect by taking the advantages of utilisation of its unique resources. This kind of resource is called core competence, and the formation of core competence requires enterprises to accumulate and learn innovation continuously. Therefore, effective use of core competence is the key to maintain a competitive advantage.

Margaret A. Peteraf believed that the resource-based view was once considered as a powerful theoretical paradigm to integrate the entire strategic management literature.²²⁶ However, David Collis argued that resource-based view is tautological as it made relationship between resource-based value and competitive advantage and is difficult to define clearly.²²⁷ Richard L. Priem and John E. Butler also argued that the resource-based view theoretical framework might be accused

²²⁵ Margaret A. Peteraf. "The Cornerstones of Competitive Advantage: A Resource-based View." *Strategic Management Journal*, vol. 14, no. 3, 1993, pp. 179-191; Christine Oliver. "Sustainable Competitive Advantage: Combining Institutional and Resource-based Views." *Strategic Management Journal*, vol. 18, no. 9, 1997, pp. 697-713; Andy Lockett, and Steve Thompson. "The Resource-based View and Economics." *Journal of Management*, vol. 27, no. 6, 2001, pp. 723-754; Pankaj M. Madhani. *Resource Based View: Concepts and Practices*. Hyderabad, India: Icfai University Press, 2009.

²²⁶ Margaret A. Peteraf. "The Cornerstones of Competitive Advantage: A Resource-based View." *Strategic Management Journal*, vol. 14, no.3, 1993, pp. 179-191.

²²⁷ David J. Collis. "Research Note: How Valuable Are Organisational Capabilities?" *Strategic Management Journal*, vol. 15, 1994, pp. 143-152.

of using circular reasoning.²²⁸ Moreover, they believe that Barney's definition of resources is too broad and vague, which leads to methods of obtaining unique resources; being difficult to clarify. Thus, strategic resources that are valuable or scarce in a particular environment may become worthless, extremely abundant, and can easily be imitated to another one. Many scholars believe that the resource-based theoretical framework is not an enterprise-level theory as has been promoted. Its focus is still on the market and market imperfections.²²⁹ Secondly, the resource-based view overemphasises the importance of resources that cannot be imitated or replaced. Thirdly, the value of a resource depends mainly on the environment in which it is applied. Leaving the industrial environment and looking at the unique value of resources and capabilities, relatively independently, while enhancing our understanding of SW (strength and weakness) in a SWOT analysis, it is also possible to ignore the positive mechanism of internal and external fit in strategic analysis. Nevertheless, the concept of the resource-based view has bridged the gap between the seemingly separate structural (Porter's industrial analysis structure model) and capacity views and completed the theoretical framework of Ansoff.

2.4.3 Capabilities-Based View, Core Competence

The capabilities-based view refers to a theoretical idea that emphasises the specific ability of the enterprise's production, business behaviour and process.²³⁰ It is formulated and implemented to

²²⁸ Richard L. Priem, and John E. Butler. "Tautology in the Resource-Based View and the Implications of Externally Determined Resource Value: Further Comments." *The Academy of Management Review*, vol. 26, no.1, 2001, pp. 57-66.

²²⁹ Arthur L. Stinchcombe. "On Equilibrium, Organisational Form, and Competitive Strategy." *Economics Meets Sociology in Strategic Management*. Emerald Group Publishing Limited, 2000. pp. 271-284.

²³⁰ Cynthia A. Montgomery, Birger Wernerfelt, and Srinivasan Balakrishnan. "Strategy Content and the Research Process: A Critique and Commentary." *Strategic Management Journal*, vol. 10, no.2, 1989, pp. 189-197.

build a core competence as an enterprise competition strategy based on those three aspects. Since 1990, Gary Hamel indicated that: the root of the competitive advantage is that it is within the organisation, and the company's existing resources constrain the adoption of the new strategy.²³¹

Unlike management theory from British classical economist Adam Smith, as mentioned before, the resource-based view on core competence is research on the ability and power of enterprises instead of a division of labour in the manufacturing process. The capabilities-based view argued that the core of the strategy lies not only in the company's products or marketing but also in its coping capacity.²³² The goal of the primary strategy should be to focus on how to identify and develop organisational capabilities that others cannot easily imitate.

In terms of specific competitiveness theory, it can be divided into two representative viewpoints: The first is the "core competence" concept represented by Coimbatore Krishnarao. Prahalad and Hamel.²³³ Another point of view is the "comprehensive power" expressed by George Stalk, Philip Evans and Lawrence E. Shulman.²³⁴ Both of these theories emphasise the unique ability

²³¹ Gary Hamel. "The Core Competence of the Corporation." *Harvard Business Review*, vol. 68, no.3, 1990, pp. 79-91; Coimbatore Krishnarao. Prahalad, and Gary Hamel. "Core competence Concept." *Harvard Business Review*, vol. 64, no.3, 1990, pp. 70-92.

²³² Anoop Madhok. "Capabilities-based Perspectives." *Competence, Governance, and Entrepreneurship: Advances in Economic Strategy Research*, vol. 1, 2002, pp. 275-276; Teppo Felin, and William S. Hesterly. "The Knowledge-based View, Nested Heterogeneity, and New Value Creation: Philosophical Considerations on the Locus of Knowledge." *Academy of Management Review*, vol. 32, no. 1, 2007, pp.195-218; David G. Hoopes, and Tammy L. Madsen. "A Capability-based View of Competitive Heterogeneity." *Industrial and Corporate Change*, vol. 17, no. 3, 2008, pp. 393-426.

²³³ Coimbatore Krishnarao. Prahalad, and Gary Hamel. "Core competence Concept." *Harvard Business Review*, vol. 64, no.3, 1990, pp. 86-92.

²³⁴ Core competence refers to a combination of individual technologies and production skills that are embedded in the production and operation of an enterprise. The "comprehensive power" is primarily manifested in the collective skills and knowledge of the members in an organisation and the organisational procedures yielding employee interaction. George Stalk., Philip Evans, and Lawrence E. Shulman. "Competing on Capabilities: The New Rules of Corporate Strategy." *Harvard Business Review*, vol. 70, no. 2, 1992, pp.57-69.

of the internal behaviour and process of the company. However, the former focuses on individual critical advantages in the enterprise value chain, while the latter emphasises the overall strength in the value chain. On the other hand, many strategic management scientists also admitted that the core competence is still not constructed as a systematic theory, and its theoretical description tends to be more literal.²³⁵ Meanwhile, as the global economy develops rapidly, competition between companies becomes more intense. Enterprises are facing new challenges brought by changes in the strategic environment. With the increasing emphasis on culture and ethics and its status in strategic decision-making, this thinking has gradually formed a new institution-based strategic view.

2.4.4 Institution-Based View

The emergence of an institution-based strategic view is the result of a deeper understanding of the role of institutions in strategic theory. The influence of “institution” or “institutional environment” on corporate strategy has been mentioned in strategic management theory by Paul R. Lawrence and Jay Lorsch.²³⁶ However, these studies discuss the institution as a variable in the external analysis of strategic decision-making by enterprises. The institution is only a known background condition for strategic management. This stage is mainly the formation of institutional economics theory, which is not directly related to the strategy. But institutional

²³⁵ Importantly, core competence has not yet formed a unified concept of what is core capacity in business competition due to its two representative viewpoints. See for examples, Dorothy Leonard. *Wellsprings of Knowledge*. Boston, MA: Harvard Business School Press, 1995; Peter H. Fuchs, et al. “Strategic Integration: Competing in the Age of Capabilities.” *California Management Review*, vol. 42, no.3, 2000, pp. 118-147; Jeroen Kraaijenbrink., J-C. Spender, and Aard J. Groen. “The Resource-based View: A Review and Assessment of Its Critiques.” *Journal of Management*, vol. 36, no.1, 2010, pp. 349-372.

²³⁶ Paul R. Lawrence, and Jay W. Lorsch. *Organisation and Environment: Managing Differentiation and Integration*. S.L.: Harvard University, 1979.

economics theory is also a foundation theory of the Institution-based strategic view.

Douglass C. North emphasises the adaptability, routine role, irrationality, and social decision aspects of the institution-based strategic view in 1990.²³⁷ Strategic choices are not only driven by industrial conditions and corporate capabilities but also by the formal (such as laws and regulations) and informal (such as culture and ethics) constraints on the specific institutional framework of the economic environment. The role of institutions in the economy is to reduce transaction costs and information costs by reducing uncertainty by establishing a stable structure that facilitates interaction between participators.

William Richard Scott and Christine Oliver conducted a more detailed analysis of the strategies, under different systems, from the organisational level since 1991.²³⁸ Meanwhile, Scott and Oliver added complements to the theory of institutional economics.²³⁹ Businesses operate within a social framework that consists of social norms, values, and a set of accepted assumptions that

²³⁷ Douglass indicated that the perspective of institutional analysis provides a deeper understanding of the internal relationship between the structure of the organisation, the patterns of behaviour, and the specific broader context in which the organisation is located. Douglass C, North. *Institutions, Institutional Change, and Economic Performance*. Cambridge: Cambridge University Press, 1990. See also, Douglass C, North. "Institutions and Credible Commitment." *Journal of Institutional and Theoretical Economics (JITE)/Zeitschrift für die gesamte Staatswissenschaft*, vol. 3, 1993, pp.11-23.

²³⁸ William Richard Scott and Christine Oliver argued that motivation for organising behaviour is not limited to economic optimisation, but it should also include demands for social legitimacy and social obligations. In this process, the legality, resources, and survivability of the organisation can be improved, so achieving the same social expectations, which largely determines the success and survival of the organisation. Christine Oliver. "Strategic Responses to Institutional Processes." *The Academy of Management Review*, vol. 16, no. 1, 1991, pp. 145–179; Christine Oliver. "Sustainable Competitive Advantage: Combining Institutional and Resource-based Views." *Strategic Management Journal*, vol. 18, no. 9, 1997, pp. 697-713; William Richard Scott. "Institutions and Organisations. Ideas, Interests and Identities." *Management*, vol. 17, no. 2, 2014, pp. 136-140.

²³⁹ Oliver E. Williamson and Scott E. Masten. *The Economics of Transaction Costs*. Cheltenham: Elgar Pub, 1999.

determine what economic behaviour is appropriate and acceptable under this framework.²⁴⁰

Since 1999, Mike W. Peng in various studies, begun comprehensive research on the interaction between the Institution, organisations and strategic choice.²⁴¹ The influence of institutional arrangements on corporate behaviour during the entire process of transition to a market economy. His main conclusion is that with the deepening of the transformation and the corresponding institutional changes, the original network-based development model that relies on personal relationships has become more expensive and less profitable.²⁴² In contrast, more market-oriented rules-based behavioural models will become more and more popular, as their costs gradually decrease and their benefits gradually increase. Therefore, how to use the increasingly informal institutional power to seek corporate growth is the primary problem that Western theories practices need to solve in the Chinese context. Moreover, based on the particularity of the Chinese market, while paying attention to the industry system, it is also necessary to aware

²⁴⁰ Mike W. Peng, et al. "The Institution-based View as a Third Leg for a Strategy Tripod." *Academy of Management Perspectives*, vol. 23, no. 3, 2009, pp. 63-81.

²⁴¹ See from examples, Mike W. Peng. *Business Strategies in Transition Economies*. Thousand Oaks, CA: Sage Publications, 2000; Mike W. Peng. "The Resource-Based View and International Business." *Journal of Management*, vol. 27, no. 6, 2001, pp. 803-829; Mike W. Peng. "Institutional Transitions and Strategic Choices." *Academy of Management Review*, vol. 28, no. 2, 2003, pp. 275-296; Justin Tan, and Mike W. Peng. "Transitions: Two Studies from an Emerging Economy." *Strategic Management Journal*, vol. 24, no. 13, 2003, pp. 1249-1263; Mike W. Peng, Justin Tan, and Tony W. Tong. "Ownership Types and Strategic Groups in an Emerging Economy." *Journal of Management Studies*, vol. 41, no. 7, 2004, pp. 1105-129; Gregory G. Dess., Mike W. Peng, and David Lei. "Strategic Management: Current Issues and Future Directions." *Journal of Leadership & Organisational Studies*, vol. 20, no. 4, 2013, pp. 373-374; Suzanne M. Carter., Charles R Greer, Gregory G. Dess, Mike W. Peng, and David Lei. "Strategic Leadership: Values, Styles, and Organisational Performance." *Journal of Leadership & Organisational Studies*, vol. 20, no. 4, 2013, pp. 375-393.

²⁴² Justin Tan, and Mike W. Peng. "Organisational Slack and Firm Performance during Economic." *Strategic Management Journal*, vol. 25, no. 3, 2004, pp. 307; Mike W. Peng., Denis YL. Wang, and Yi Jiang. "An Institution-based View of International Business Strategy: A Focus on Emerging Economies." *Journal of International Business Studies*, vol. 39, no. 5, 2008, pp. 920-936; Mike W. Peng, and C P. Ronaldo. "Institution-based Weaknesses behind Emerging Multinationals." *Revista De Administração De Empresas*. vol. 52, no. 3, 2012, pp. 360-364

of the influence of policy power. Development of the global economy led towards the appearance of some emerging economies. These emerging economies, such as China, Brazil, and India, have become essential to the world economy and make more contributions to the development of the world economy. The rise of these emerging economies has drawn many scholars' concerns about the strategic issues of companies in these developing countries like BRICS.²⁴³

Thus, with the acceleration of the globalisation process and the development of multinational companies, every company's strategic management is facing new challenges. The development of the emerging economy has forced companies to formulate a "global" strategy with a "global" vision.²⁴⁴ The institutional environment of emerging economies and the importance of institutional transformation have become increasingly prominent in strategic management.²⁴⁰ The institutional foundation view, put forward by Peng and other scholars, pay more attention to the influence of institutional factors such as state, government, social culture and other elements on strategy choice and strategic behaviour.²⁴⁵ North has defined these factors as "Institutional

²⁴³ BRICS is the acronym coined for an association of five major emerging national economies: Brazil, Russia, India, China and South Africa. See from examples, Subhash C. Jain. *Emerging Economies and the Transformation of International Business: Brazil, Russia, India and China (brics)*. Cheltenham, Gloucestershire: Edward Elgar, 2006; Stephanie Jones. *Brics and Beyond: Executive Lessons on Emerging Markets*. Chichester, West Sussex: Wiley, 2012; Y. Hu. *Strategic Priorities: China's Reforms and the Reshaping of the Global Order*. Honolulu, HI: Enrich Professional Publishing, 2014; Paul Hong, and Youngwon Park. *Building Network Capabilities in Turbulent Competitive Environments: Business Success Stories from the Brics*. Boca Raton: CRC Press, 2015; Tim Niblock., Degang Sun, and Alejandra Galindo. *The Arab States of the Gulf and Brics: New Strategic Partnerships in Politics and Economics*. Berlin: Gerlach Press, 2016.

²⁴⁴ Mike W. Peng. *Global Strategy*. Mason, OH: Thomson, 2000.

²⁴⁵ Paul L. Ingram, and Brian S. Silverman. *The New Institutionalism in Strategic Management*. Amsterdam: JAI, 2002; Mike W. Peng. "Outside Directors and Firm Performance During Institutional Transitions." *Strategic Management Journal*, vol. 25, no. 5, 2004, pp. 453-471.

Framework”.²⁴⁶ He believes that there is a dynamic interaction between institutions and organisations and both are interrelated.

Carlo Altomonte indicated that the “Institutional Framework” is more pronounced in countries (like BRICS) with economies in transition.²⁴⁷ Peng also discussed the difference between the developed and mature market economy and social situation in the West. It is the interaction between institutional changes and organisational evolution in the transitional economic society has gradually become a common occurrence.²⁴⁸ It is way to analyses the relationship and interaction among the regions, consumers and commercial actors in China’s Digital Music Industry to explore changes in mange in the industry as it relates to the different countries and to entrepreneurial consumers.

The studies of the diversification strategy, prevalent in Asian countries, is a good illustration of this relationship between institutions and organisations.²⁴⁹ The strategy of diversification (also known as diversification growth strategies) is development-oriented, and it is a long-term plan for the development of multi-variety or diversified operations.²⁵⁰ Yeung argued that, due to the lack of formal institutions in the Asian countries, under the influence of the informal systems,

²⁴⁶ Douglass C. North. “Big-bang Transformations of Economic Systems: An Introductory note.” *Journal of Institutional and Theoretical Economics (JITE)/Zeitschrift für die gesamte Staatswissenschaft*, vol. 156, no.1, 2000, pp. 3-8.

²⁴⁷ Carlo Altomonte. “Economic Determinants and Institutional Frameworks: FDI in Economies in Transition.” *Transnational Corporations*, vol. 9, no.2, 2000, pp. 75-106.

²⁴⁸ Mike W. Peng. “Institutional Transitions and Strategic Choices.” *Academy of Management Review*, vol. 28, no. 2, 2003, pp. 275-296; Mike W. Peng, and Hao Chen. “Strategic Responses to Domestic and Foreign Institutional Pressures.” *International Studies of Management and Organisation*, vol. 41, no. 2, 2011, pp.88-105

²⁴⁹ See for examples, Michael Carney. “The Many Futures of Asian Business Groups.” *Asia Pacific Journal of Management*, vol. 25, no. 4, 2008, pp. 595-613; Shan Min Charmaine. Cheok., Tien Foo Sing, and I-Chun Tsai. “Diversification as a Value-adding Strategy for Asian REITs: A Myth or Reality?” *International Real Estate Review*, vol. 14, no.2, 2011, pp. 184-207.

²⁵⁰ H. Igor. Ansoff. “Strategies for Diversification.” *Harvard Business Review*, vol. 35, no.5, 1957, pp. 113-124.

enterprises tend to choose a diversified strategy with less risk in the choice of a strategy for the sake of growth.²⁵¹ Meanwhile, the shortcomings, such as the loose organisation, brought about by the diversification strategy have caused people to demand formal systems that can enhance consistency and reduce uncertainty, which in turn has led to the development of formal institutions.

Besides, William Richard. Scott and John W. Meyer developed a more certain relationship between organisations and their institutional environments.²⁵² He indicated that to cope with the constraints and influences of the institutional environment and institutional factors, companies often need to implement non-market strategies to build social capital or political connections.²⁵³ It has regulative, normative, and cognitive structures and activities that provide meaningful and stable social behaviour.²⁵¹ In particular, the institutional environment requires organisations to be subjected to “legality” mechanisms and to adopt organisational forms and practices that are widely accepted in an institutional setting, regardless of whether these forms or practices impair

²⁵¹ Henry Wai-Chung Yeung. “The Internationalization of Ethnic Chinese Business Firms from Southeast Asia: Strategies, Processes and Competitive Advantage.” *International Journal of Urban and Regional Research*, vol. 23, no.1, 1999, pp. 88-102.

²⁵² W R. Scott, and John W. Meyer. *The Organisation of Institutional Sectors*. Stanford, CA: Stanford University, 1982; W R. Scott, and John W. Meyer. *Institutional Environments and Organisations: Structural Complexity and Individualism*. Thousand Oaks, CA: SAGE, 1994; W R. Scott, and Gerald F. Davis. *Organisations and Organizing: Rational, Natural and Open Systems Perspectives*. Florence: Taylor and Francis, 2006; W R. Scott. *Institutions and Organisations: Ideas, Interests, and Identities*. Los Angeles, CA: SAGE, 2014.

²⁵³ W R. Scott. *Institutions and Organisations: Ideas and Interests*. Los Angeles, CA: Sage Publications, 2008.

organisational efficiency.²⁵⁴

Consequently, informal institutions such as social capital and political connections can largely compensate for the role of formal institutions and can have an essential impact on corporate strategic behaviour. It provides guidance and confers legitimacy and rewards to managers and firms. Marc Van Essen et al., argued that the institution-based view provided a perspective to explain the management phenomenon, under the influence of complex and changeable external environment.²⁵⁵ The institution-based view has prompted to be more insightful and realistic on international management research.

Although the Institution-based view has many functions, its most basic role is to reduce uncertainty. It reduces the uncertainty for decision-makers by defining clear and reasonable legal boundaries and through making behaviours consistent with norms. The Institution-Based view focuses on cultural differences and possibilities in broad terms.²⁵⁶ It is beneficial to supplement industry-based and resource-based views. On the contrary, decision-makers need to pursue interests and make choices within the established institutional framework. Uncertainty can make

²⁵⁴ Deirdre McCloskey argued that in the initial stage of market economy development, the market scale was relatively small, the market mechanism was not immature, and the institutional system was not fully formed. North supported her argument by pointing out that, while under relationship-based institutions, which exist in most emerging economies, the weak legal system with limited property rights and investor protections makes decision-makers favour relationship-based exchange and social networks. Douglass C. North. "Institutions and Economic Theory." *The American Economist*, vol. 61, no.1, 2016, pp. 72-76; Deirdre N. McCloskey. *Bourgeois Dignity: Why Economics Can't Explain the Modern World*. Chicago, IL: University of Chicago Press, 2010.

²⁵⁵ Marc Van Essen, et al. "An Institution-based View of Executive Compensation: A Multilevel Meta-analytic Test." *Journal of International Business Studies*, vol. 43, no. 4, 2012, pp. 396-423.

²⁵⁶ Gerry Johnson, et al. *Exploring Strategy*. New York: Financial Times Prentice Hall, 2011; Richard Whittington. *What is Strategy-and Does It Matter?*. Hampshire: Cengage Learning EMEA, 2001.

it difficult to obtain clues and right judgments about business strategy.

The Four theoretical perspectives listed above more or less explain the choice of a corporate growth strategy to a certain extent. However, the research from a single theoretical perspective often ignores the influence of other theoretical perspectives factors, even the most important ones, which results in the lack of necessary condition variables and the contradiction of strategic management's theory and practice. Therefore, it is of great significance to analyse and understand, the theories that are formed based on which needs or management purposes, especially for China's Digital Music market. In fact, a single theoretical perspective has seriously weakened the guiding significance of the theory on business management practices. Therefore, scholars call for studying the choice of corporate growth strategy from an integrated theoretical perspective to provide important support for the development of corporate strategic management theory and practice.²⁵⁷ A comprehensive understanding of strategic management is helpful to the practice of its theory in China's Digital Music Industry.

2.5 The Long Tail Theory

The first step of researching Digital Music management can be suggested as to refer to management theories of the Internet industry.²⁵⁸ They are essentially interconnected. Moreover,

²⁵⁷ Peteraf, Margaret A. "The Cornerstones of Competitive Advantage: A Resource-based View." *Strategic Management Journal*, vol. 14, no. 3, 1993, pp. 179-191; Rothaermel, Frank T. *Strategic management*. New York City, NY: McGraw-Hill Education, 2017.

²⁵⁸ Gerhard Illing, and Martin Peitz. *Industrial Organisation and the Digital Economy*. Cambridge, MA: MIT Press, 2006; Steve Gordon. *Future of the Music Business: How to Succeed with the New Digital Technologies*. Milwaukee, WI: Hal Leonard, 2011; Kenneth C. Laudon, and Carol G. Traver. *E-commerce: Business, Technology, Society*, Boston, MA: Pearson, 2013; Bobby Owsinski. *Music 4.1: A Survival Guide for Making Music in the Internet Age*, 2016.

the Long Tail theory is one of the most famous e-business related management theory in the world.²⁵⁹

Numerous studies have shown that If Internet companies sell virtual products, payment and delivery costs are nearly free, and the long-tail theory is a perfect adaptation to it. Google AdWords and iTunes music are all likely to be the case. It indicates that virtual product sales are inherently suitable for Long Tail theory.²⁶⁰ In this case, whether the long tail theory can be applied to Chinese background, is a very controversial issue.

From a global perspective, the Digital Music business is a model of refined marketing which is a typical long-tail market in the Western world.²⁶¹ My research assumes that as China's external environment is different from the West, Digital Music market of China is a more complicated market and as such Long tail theory is not fully applicable.

The long tail theory argues that production costs of Digital Music will drop drastically if the

²⁵⁹ Chris Anderson, and Ypie Veenstra. *The Long Tail*. Amsterdam: Nieuw Amsterdam, 2013

²⁶⁰ Jeffrey S. Young, and William L. Simon. *Icon: Steve Jobs, the Greatest Second Act in the History of Business*. Hoboken, N.J: Wiley, 2005; Perry Marshall, and Bryan Todd. *Ultimate Guide to Google Adwords Advertising: How to Access 100 Million People in 10 Minutes*. Irvine, CA: Entrepreneur Press, 2007; Bruce D. Keillor. *Marketing in the 21st Century*. Westport, CT: Praeger, 2007; Bo Yu. *Chang Wei Xiao Ying: Che Di Dian Fu 80-20 Fa Ze De Quan Xin Jing Ji Xue = the Long Tail*. Beijing: Zhongguo hua qiao chu ban she, 2007; Jochen Eckert. *How Electronic Markets Change Demand: An Investigation of the Long Tail Phenomenon*, Frankfurt: Univ, 2009; Chris Anderson. *Chang Wei Li Lun =: The Long Tail: Why the Future of Business Is Selling Less of More*. Beijing: Zhong xin chu ban she, 2009; Chris Anderson. *The Long Tail: How Endless Choice Is Creating Unlimited Demand*. London, England: Random House Business, 2009; Steve Gordon. *Future of the Music Business: How to Succeed with the New Digital Technologies*. Milwaukee, WI: Hal Leonard, 2011.

²⁶¹ Tad Lathrop. *This Business of Global Music Marketing*. New York, NY: Billboard Books, 2007; Sascha Schneiders. *Apple's Secret of Success: Traditional Marketing Vs. Cult Marketing*. Hamburg: Diplomica Verlag, 2011; Michael Krypel. *Refining Design for Business: Using Analytics, Marketing, and Technology to Inform Customer-Centric Design*. San Francisco, CA: Peachpit, 2014; Charles Arthur. *Digital Wars: Apple, Google, Microsoft and the Battle for the Internet*, London, England: Kogan Page, 2014.

storage space and distribution channel is large enough. Plus, low demand music products will be profitable when the cost of sales is reduced.²⁶² H. Yang argued that the theory involves three points vis-à-vis costs, profits and markets and all these are affected by the external environment.²⁶³

The buying behaviour of Digital Music consumers depends on their needs and desires which are influenced by many factors. As such, consumer demand for Digital Music is unlikely to stay at the same level; it will continue to grow with economic development, income growth and broadened horizons.²⁶⁴ The objective needs of consumers are influenced by their cultural standards, subjective preferences and the prevailing environment. According to the interview 14, the demand of music consumers is the multi-level demand, formed under affordability and Chinese characteristics, which play a decisive role as regard to suitability of theories in a Chinese context.²⁶⁵ Therefore, analysis of the external environment is one of the keys to determine whether the management theory applies to a Digital Music Industry with a Chinese background.

2.6 Fan economy

2.6.1 The Definition of Fan Economy

²⁶² Yannis Bakos, and Erik Brynjolfsson. "Bundling Information Goods: Pricing, Profits, and Efficiency." *Management Science*. vol. 45, no. 12, 1999, pp. 1613-1630; Òscar Celma. *Music Recommendation and Discovery: The Long Tail, Long Fail, and Long Play in the Digital Music Space*. Berlin: Springer, 2010; Michael Negele. *How to Effectively Market Free-Downloadable Music: Maximize Reach of Your Free-Downloadable Music with Crossmedia-Based Marketing*. Saarbrücken: VDM Verlag Dr. Müller, 2011; S. Dewan, and J. Ramaprasad. "Music Blogging, Online Sampling, and the Long Tail." *Information Systems Research*. vol. 23, no. 1, 2012, pp. 1056-1067.

²⁶³ H. Yang. "Targeted Search and the Long Tail Effect." *Rand Journal of Economics*. vol. 44, no. 4, 2013, pp. 733-756.

²⁶⁴ Luke Butcher, Christopher A. Marchegiani, and Ian Phau. *Factors Affecting Purchase of Online Music in Australia*. Perth, WA: School of Marketing, Curtin Business School, 2010; Jim Blythe. *Consumer Behaviour*. London, England: SAGE, 2013; Dinesh Kumar. *Consumer Behaviour: Includes Online Buying Trends*. New Delhi, India Oxford University Press, 2015.

²⁶⁵ Anonymous. Interview No.14. 25 Aug. 2016.

Fans are old customers who have had different degrees of memorable experiences with enterprises, products or services; moreover, fans have invisible emotional bonds with the objects rather than pure commercial transaction relationships.²⁶⁶ In 1992, Henry Jenkins stated that “the role of a fan can be as an aficionado or supporter” to a new generation of scholars interested in the intersections of fandom, participatory culture, popular consumption and media theory.²⁶⁷ John Fiske put forward that fans are "excessive readers", which can be explained as fans’ devotion to the object being proactive, intense and participatory.²⁶⁸ In the Digital Music Industry, fans are consumers who form tight bonds with the music/artists and the brands they are associated with over long periods of time.

The fan economy is an economic way of operating to get economic and social benefits by promoting users’ loyalty. Every fan has traits that influence his or her social behaviour and habits of consumption.²⁶⁹ When a fan finds others with similar preferences for music or an artist, he or she may create or join a social group (such as a fan club), which can develop into a fan culture with identifiable customs, attitudes and behaviour. Fan groups often work tirelessly on the one thing they share and supporting their favourite objects.²⁷⁰ Accordingly, fans with the aid of

²⁶⁶ The word “fans” refers to avid fans. John Fiske proposed in *The Cultural Economy of Fandom* that fans are a universal feature of popular culture in industrial societies. They are often associated with various cultural forms vilified by mainstream value systems, including popular songs, romance novels, comics, and Hollywood’s popular stars. They are fixedly and emotionally invested in a particularly popular character, text or other forms of content. See examples, John Fiske, and Lisa Lewis. “The Adoring Audience: Fan Culture and Popular media.” *The Cultural Economy of Fandom*, vol. 1, 1992, pp. 30-49; Lisa A. Lewis. *The Adoring Audience: Fan Culture and Popular Media*. London, England: Routledge, 2002.

²⁶⁷ Henry Jenkins. *Textual Poachers: Television Fans & Participatory Culture*. London, England: Routledge, 1992.

²⁶⁸ John Fiske. *The Cultural Economy of Fandom*. London, England: Routledge 1992, pp. 26-34.

²⁶⁹ Jonathan Gray, Cornel Sandvoss, and C. Lee Harrington, eds. *Fandom: Identities and Communities in a Mediated World*. New York: New York University Press, 2020.

²⁷⁰ Roberta Pearson. "Fandom in the Digital Era." *Popular Communication*, vol. 8, no.1, 2010, pp. 84-95.

continually advancing social media platforms and mobile technologies are developing long-term and reciprocal relationships with their objects that not only satisfy the desires of fans to build emotional connections with their objects but can also serve to develop the public influence of artists. This mode of gathering information on fans' behaviour will play an extraordinary role in the Chinese Digital Music market, which will be discussed in Chapter 4.

The fan economy affects the methods of music production and has become a dominant trend in China's Digital Music Industry. Customers participate within the production process as if team members, they support the brand with ardour and pay more for merchandise associated with their artist. Moreover, music producers are embracing feedback from fans during the production process.²⁷¹ This is a way for content producers and consumers to jointly produce mutually valued music or entertainment products that may help improve their marketplace.

Making music products in China is transforming from an individual and linear process toward a nonlinear, iterative process, involving the active participation of fans via the SNS community.²⁷² Meanwhile, China's Digital Music Industry is increasingly embracing the creative powers of its fans, and is seeking new ways to develop and nurture its fan community towards product co-creation.

²⁷¹ Wei Zhou. "Qian Xi Zhong Guo Zai Xian Yin Yue Shi Chang De Wen Ti Ji Qi Mei Hao Qian Jing." *Modern Business*, vol. 3, no. 2, 2018, pp. 134-141.

²⁷² Fenglong Fan. "Zhong Guo Zai Xian Yin Yue De Shang Ye Fa Zhang Mo Shi." *Economic Herald*, vol. 2, no. 2, 2015, pp. 111-118.

2.6.2 The Customer Stickiness of Fan Economy

From the perspective of user management, the fan economy aims to increase customer stickiness.

Customer devotion is an important indicator to measure user loyalty, and it plays an important role in brand image. Some studies have proved that the higher the customer stickiness, the greater the value of the brand, especially in the Chinese market.²⁷³ Therefore, how to improve customer stickiness is the primary task of brand operation. In the "fan economy", improving customer stickiness can be understood as: how to turn customers into repeat customers and turn repeat customers into regular customers. Statistics show that the cost of maintaining a regular customer for an e-commerce enterprise is 1/10 of the cost of attracting a new customer.²⁷⁴ Turning customers into regular customers is also an outstanding feature of the fan economy.

The operation model of the fan economy will strive to allow consumers to participate in the production and planning of products or commercial events. In this process, fans inject emotion into the target they have chosen to promote, and their loyalty will increase accordingly.

At present, the consumption concept of the Chinese market has undergone a development process: function—brand effect—user experience—participatory consumption.²⁷⁵ Chinese

²⁷³ Mohamed Khalifa, Moez Limayem, and Vanessa Liu. "Online Customer Stickiness: A Longitudinal Study." *Journal of Global Information Management*, vol. 10, no. 3, 2002, pp.1-14; Lin, Judy Chuan-Chuan. "Online Stickiness: Its Antecedents and Effect on Purchasing Intention." *Behaviour & Information Technology*, vol. 26, no. 6, 2007, pp. 507-516; Zhang Mingli, et al. "Influence of Customer Engagement with Company Social Networks on Stickiness: Mediating Effect of Customer Value Creation." *International Journal of Information Management*, vol. 37, no. 3, 2017, pp. 229-240.

²⁷⁴ Si, Liwen. "Shu Zi Yin Yue Shi Chang Xiao Yan Mi Man." *China Enterprise News*, vol. 1, no. 6, 2014, pp. 114-117.

²⁷⁵ Zhou, Wei. "Qian Xi Zhong Guo Zai Xian Yin Yue Shi Chang De Wen Ti Ji Qi Mei Hao Qian Jing." *Modern Business*, vol. 3, no. 2, 2018, pp. 134-141.

consumers identify most with the products or commercial activities in whose design they participate. The positive outcome from such fan participation is a greater sense of ownership of the final outcome and greater fan loyalty. This will bring more repeat customers and encourage fans to buy next-generation products. Based on the development of the fan economy model, Microsoft has achieved great commercial success by using the “lock-in effect” formed by rapid iteration as a typical example.²⁷⁶ Meanwhile, fans will also be more interested in brand associated products, increasing their likelihood of consuming follow-up products and secondary merchandise. This is a very efficient marketing ploy to upsell value, resulting in greater revenue generated.

2.6.3 Word-of-Mouth Marketing of Fan Economy

From the perspective of online marketing, the fan economy is actually word-of-mouth marketing. The Word-of-Mouth Marketing Association defined word of mouth as the behaviour of consumers providing information to other consumers.²⁷⁷ As a consumer-led information exchange channel, the disseminators and recipients of word-of-mouth information are not subject to brand party intervention. However, companies are not content to sit idle in the process. Word-of-mouth marketing refers to the phenomenon whereby, in the process of brand establishment and maintenance, companies or merchants strive to enable consumers to spread their product and service information through mutual communication between customers,

²⁷⁶ Marco Janssen, and Wander Jager. "An Integrated Approach to Simulating Behavioural Processes: A Case Study of the Lock-in of Consumption Patterns." *Journal of Artificial Societies and Social Simulation*, vol. 2, no. 2, 1999, pp. 21-35.

²⁷⁷ Andy Sernovitz, Guy Kawaski, and Seth Godin. *Word of Mouth Marketing*. Chicago: Dearborn Trade, A Kaplan Professional Company, 2006; Jacques Bughin, Jonathan Doogan, and Ole Jorgen Vetvik. "A New Way to Measure Word-of-mouth Marketing." *McKinsey Quarterly*, vol. 2, no.1, 2010, pp. 113-116; Robert V Kozinets, et al. "Networked Narratives: Understanding Word-of-mouth Marketing in Online Communities." *Journal of Marketing*, vol. 74, no.2, 2010, pp. 71-89.

especially between relatives and friends.

In the fan economy, the interactive information between brands and consumers is shared and displayed through various network social channels to enhance the visibility of brands and win a good reputation.²⁷⁸ Its main purpose is shaping and optimizing the brand effect to obtain economic benefits. For instance, Xiaomi, a Chinese smartphone company, owes its success and rapid growth to its focus on building a fan economy.²⁷⁹ It is when brands intentionally develop, invest in and nurture a fan community that this drives purchases through lifestyle affinity. Developing and nurturing such a fan base is key, the cost of promotion activities among fans is extremely cost-effective. This is due to the fact that after consumers have formed a high psychological recognition of a certain brand or object, the fan economy effect promoted consuming behaviour is more inclined to impulsive consumption.²⁸⁰

2.6.4 The Essential Attribute of Fan Economy

The concept of the fan economy can be interpreted as a form of trust agency and economic operation that optimizes the effectiveness of word-of-mouth marketing by increasing customer stickiness to obtain economic and social benefits. It is a type of economy caused by spiritual

²⁷⁸ Yilu Liang, and Wanqi Shen. "Fan Economy in the Chinese Media and Entertainment Industry: How Feedback from Super Fans Can Propel Creative Industries' Revenue." *Global Media and China*, vol. 1, no. 4, 2016, pp. 331-349.

²⁷⁹ Chao-Ching Shih, Tom MY Lin, and Pin Luarn. "Fan-centric Social Media: The Xiaomi Phenomenon in China." *Business Horizons*, vol. 57, no. 3, 2014, pp. 349-358.

²⁸⁰ Scott, Suzanne. "Repackaging Fan Culture: The Regifting Economy of Ancillary Content Models." *Transformative Works and Cultures*, vol. 3, no. 1, 2009, pp. 1-11; Daragh Oreilly, et al. *Music, Markets and Consumption*. Oxford, Oxfordshire: Goodfellow Publishers Limited, 2013.

needs, and this type of economy belongs to the attention economy.²⁸¹ What it satisfies is not people's basic material needs, but the consumption needs caused by psychological needs and spiritual needs. The fan economy is essentially a kind of spiritual consumption.²⁸² Fans' customer behaviour is highly susceptible to emotions. In the fan economy, emotions play an important role in the interaction of consumers and their objects of interest. The aim of the fan economy is to achieve the effect of customers' active participation and to lead marketing by influencing customers' emotions, so as to achieve the ultimate goal of value-added. The fans, however, are essentially driven by spiritual and emotional needs, rather than being profit-driven. To promote the development of the fan economy is to make use of fans' emotions on a commercial basis and generate commercial value and economic benefits through the development of the content that fans prefer.

The essence of the fan economy is the C2B economy (Business-To-Customer) in terms of its business model, it is to provide on-demand or products or producing according to sales.²⁸³ These products have not yet been officially launched and producers have begun to accept user orders and the designs of products are increasingly derived from gathering the user's requirements. Only

²⁸¹ Jonathan Beller. *The Cinematic Mode of Production: Attention Economy and the Society of the Spectacle*. Chicago: UPNE, 2012; Patryk Galuszka. "New Economy of Fandom." *Popular Music and Society*, vol. 38, no. 1, 2015, pp. 25-43.

²⁸² Chris Hackley, and Rungpaka Amy Hackley. "The Iconicity of Celebrity and the Spiritual Impulse." *Consumption Markets & Culture*, vol. 19, no. 3, 2016, pp. 269-274; Toija Cinque. "Digital Shimmer: Popular Music and the Intimate Nexus Between Fan and Star." *Companion to Celebrity (Studies)*, vol. 1, no. 1, 2016, pp. 440-456.

²⁸³ Xiong Qi. Wang Luo Shi Dai Yin Yue Zhu Zuo Quan Xu Ke Mo Shi Yan Jiu. *Beijing: University of Beijing Press*, 2015; Fenglong Fan. "Zhong Guo Zai Xian Yin Yue De Shang Ye Fa Zhang Mo Shi." *Economic Herald*, vol. 2, no. 2, 2015, pp. 111-118

those companies that gather a large number of fans can assess the market sales situation in time through pre-selling to greatly improve the production efficiency. This is a way to arrange product production more accurately and avoid an inventory backlog.

In the era of Internet marketing, people's primary demand is information acquisition. Meanwhile, it is the age of information explosion, therefore, what is scarce is not information but the time and energy to find valuable information. The developed SNS community and the high popularity of smartphones in China mean that information spreads faster and there is greater coverage.²⁸⁴ Information dissemination is more precise and personalized, which provides a good tool for Internet companies to cultivate and accumulate their own fans. As Peter said, today's competition among companies is no longer the competition between products, but the competition between business models.²⁸⁵ As a new type of business model, the development of the fan economy makes clear that competition for resource integration and user base has become a vital part. Its development trend has highlighted the importance of being people-orientated.

2.6 Conclusion

²⁸⁴ Han Qian. "3G Shou Ji Jiang Yi Shu Zi Yin Yue Ti Dai Cd." *Vip Chinese*, vol. 3, no. 5, 2013, pp. 247-275; Rong Wang. "Wang Shang Shu Zi Yin Yue Shi Chang Yun Han Da Shang Ji." *Sound Screen World*, vol. 02, 2012, pp. 34-51.

²⁸⁵ Linda A Jackson, and Jin-Liang Wang. "Cultural Differences in Social Networking Site Use: A Comparative Study of China and the United States." *Computers in Human Behavior*, Vol. 29, no. 3, 2013, pp. 910-921; Zhou Tao, and Hongxiu Li. "Understanding Mobile SNS Continuance Usage in China from the Perspectives of Social Influence and Privacy Concern." *Computers in Human Behavior*, vol. 37, no. 1, 2014, pp. 283-289; Ya Ping Chang, and Xue Bing Dong. "Research on the Impact of Consumer Interaction Behaviour on Purchase Intention in an SNS Environment: Evidence from China." *Information Development*, vol. 32, no. 3, 2016, pp. 496-508.

Throughout the history of the development of management science, even though there are many multi-layered and overlapping schools and theories, the development of management follows two interconnected evolutionary paths. First, organisation theory starting from the organisation of people as homo economics, including social organisation, self-realisation, and the evolution of culture from organisations, finally transforming to a learning organisation. Second, a management research approach takes its starting point from a scientific management method including behavioural scientific management method, scientific management method, process and information/knowledge management methods. The evolution of these two paths reflects the formation, growth, mature management experience of the industrial age to the information age revealing the stages of slow evolution of management.

The differences between Chinese and Western management theories can give rise to the differences between Chinese and Western managers and the persons to being managed. In the development of human civilisation, people in specific regions and nations will gradually condense into cognition and habits according to their knowledge of the world to form a particular way of thinking which will be discussed in detail in the methodology section. The difference in thinking culture is an important reason for the cultural difference, which has caused people's demand for management theory and the way they use it. Fan economy in China's Digital Music Industry has a completely different influence than other regions. This will be discussed in detail in Chapter 4. Different needs have mainly determined the application of strategic management. This is the reason to emphasise that contingency management may be the most suitable management theory for Digital Industry of China as it is mostly in line with Chinese people's

logical thinking.

Thus, the theoretical management framework narrows down to a specific strategic management framework, especially when it comes to the industry. The development of strategic theory confirms that, from the perspective of the industrial level, the strategy manifests itself as positioning. The flexible essence of strategy is also the contingency view of strategy. Ansoff believes that organisations can achieve strategic flexibility in a rapidly changing environment. Strategic flexibility is defined as an organisation's adaptation to real, uncertain and rapidly occurring environmental changes that are likely to have a significant impact on organisational performance. It also thinks of it as the ability to adapt to the demands of a dynamic environment. The core message here is that the strategy should vary with circumstances and it points towards a way of understanding the impact of the environment on the effectiveness of strategic management in China's Digital Music Industry.

Strategic management can be suggested as the decision-making and management art of an enterprise or organisation's overall and long-term development direction, goals, tasks and policies, as well as resource allocation in a certain period. It is essential to understand the development direction of China's Digital Music Industry to figure out any differences from the West and to lay the foundation for the application of the theory.

However, whether behavioural science, strategic management, enterprise planning, or

knowledge management, even the oldest management approach is not obsolete. Whatever management theory and ideology are used, dealing with people is core to the management of “effect”, extended for today’s business. It is especially important in the creative and cultural industries, including Digital Music. Each theory corresponds to its specific circumstances and environment but may be applicable if considered flexibly. Maturing and developing management style and approaches will be a central feature of later Chapters where I examine the Digital Music Industry and how it is developing in China.

Chapter 3 Digital Music: A Worldwide Context

To find out a way to develop the Chinese Digital Music Industry and integrate a suitable management theory or model which may fit the current global market, it is necessary to build a basic understanding of what Digital Music is and how it has developed both in the West and in China. Consequently, the purpose of this Chapter is to outline the development of Digital Music from 1988 to 2015, dividing it into three sections and including, definitions of Digital Music, Digital Music: technological development, as well its development. It also incorporates an introduction to the study of Digital Music history through an overview of two historical periods: before and after 2003. This Chapter examines setting a context for Digital Music's development in China drawing from reliable and scholarly sources.

3.1 What is Digital Music

Nowadays, the word “digital” is frequently used, and some people say we are in the “Digital Age.”²⁸⁶ There are digital televisions, digital clocks, Digital Music and many other digital devices. When saying something is digital, it means that there is a special kind of information involved which can be read by computers or other machines.

Digital Music (sometimes referred to as digital audio) is a method of representing sound as

²⁸⁶ Steve Traiman. “Music Delivery Enters Digital Age.” *Billboard*, vol. 109, no. 9.15, 1997, pp. 32-57; Timothy Warner. *Pop Music-Technology and Creativity: Trevor Horn and the Digital Revolution*. Aldershot, Hampshire: Ashgate, 2003; Alex Blyth. *Music in the Digital Age*. London, England: Institute of Chartered Accountants in England & Wales, 2008.

numerical values.²⁸⁷ This differs from analogue media such as magnetic tapes or vinyl records, for instance, where the sound is stored in a physical form. The information is stored magnetically in the case of cassette tapes. Digital Music is the technology that can be used to record, store, generate, manipulate, and reproduce sound using audio signals encoded in digital form. A significant transformation for the recording industry since removable media had long been the standard method for recording music, from the first tinfoil and cardboard cylinders of early phonographs to shellac and vinyl resin long-play records, to coated magnetic tape and polycarbonate-covered aluminium film discs.²⁸⁸ Digital Music can be divided into two main categories: Physical-Digital Media and Digital Audio Files.

When the public talks about Physical Digital Media, one of the best known is the compact disc (CD), it is the digital optical disc data storage format for music. Thus, the CD is the original and classic Digital Music format. The fundamental principle of how this works is that a laser reads the surface of a CD which contains pits and lands. On the other hand, Digital Audio Files are non-physical sources of digital audio which used various encoding formats for storing audio information.²⁸⁹ An example of a digital audio file is MP3 that can be downloaded from the internet. Music-lovers can listen to the file on a computer/mobile device or MP3 player. Refers

²⁸⁷ Jan Maes, and Marc Vercammen. *Digital Audio Technology: A Guide to CD, MiniDisc, SACD, DVD(A), MP3 and DAT*. Oxford, Oxfordshire: Focal, 2001; Russel Haines. "Digital Audio." *Fordham Intellectual Property, Media & Entertainment Law Journal*, vol. 11, no. 2, 2001, pp. 361-370; Daniel Arfib. "Musical Implications of Digital Audio Effects." *Journal of New Music Research*, vol. 31, no. 2, 2002, pp. 65-76; Nicola Bernardini, and Jøran Rudi. "Compositional Use of Digital Audio Effects." *Journal of New Music Research*, vol. 31, no. 2, 2002, pp. 87-91; David Austerberry. "Digital Audio." *Broadcast Engineering*, vol. 51, no. 2, 2009, pp. 20-45; Walter Fischer. *Digital Video and Audio Broadcasting Technology: A Practical Engineering Guide*. Heidelberg: Springer, 2010.

²⁸⁸ Roland Gelatt. *The Fabulous Phonograph, 1877-1977*. London, England: Cassell, 1977; Jacob Smith. *Spoken Word: Postwar American Phonograph Cultures*. Berkeley, CA: University of California Press, 2011; Matthew Robery. *Audiobooks, Literature, and Sound Studies*. Hoboken, NJ: Taylor and Francis, 2011; Helmut Müller-Sievers. *The Cylinder: Kinematics of the Nineteenth Century*. Berkeley, CA: University of California Press, 2012.

²⁸⁹ Tom Patrick McAuliffe. *Digital Audio*. Overland Park, KS: Penton Media, 2004; Alexander W Caminiti. "Symmetry: A Professional Audio Thesis." *Proquest Digital Dissertations*, vol. 1, no. 2, 2011, pp. 18-36.

to Digital Music to this type of digital audio storage, other examples of digital audio files include, AAC, WMA, OGG, WAV.

Digital Music largely changed the way people listened to music and the way of producing music.²⁹⁰ Much like music itself, the way people listen to music continues to evolve. Not so long ago, when a record, CD, or cassette was needed to play music, the public had limit certain actions above in listening to music. People have entered a whole new era of musical enjoyment and music is more accessible format now.²⁹¹ However, the new technical revolution has improved the pattern of listening to music rather than expanding the audience. The sound files that contain the music can be easily purchased, stored and sent between different locations, computers, handsets and consoles, which makes listening to music more convenient and enjoyable.²⁹² From premium radio to MP3 downloads, from on-demand streaming to mobile services, Digital Music comes in more variant than ever before. Moreover, it is available nearly anywhere. The emergence of Digital Music reduces carrying tapes or CDs, effectively expanding the scope and spread of music and increasing its speed. This is part of Digital Music's charm and one of the

²⁹⁰ Robin Frost. "A New Tune: The Digital Revolution Meets the Music Industry Digital Distribution." *Wall Street Journal*, vol. 16, no. 3, 1995, pp. 182-186; Jon Pareles. "Digital Distribution of Music is Spreading." *New York Times*, vol. E, no. 1, 1998, pp. 23-36; Stavrinou I. "Digital Music Distribution: An Overview." *Proquest Digital Dissertations*, vol. 3, no. 5, 2003, pp. 74-89; Jamie Sexton. *Digital Music: Production, Distribution and Consumption*. Maidenhead, Berkshire: Open University Press, 2008; Nicolas Curien, and François Moreau. "The Music Industry in the Digital Era: Toward New Contracts." *The Journal of Media Economics*, vol. 22, no. .2, 2009, pp. 102-103; Kalliopi Tzantara, and Anastasios A Economides. "Gender Differences in Digital Music Distribution Methods." *Peer-To-Peer Networking and Applications*, vol. 3, no. 2, 2010, pp. 153-161.

²⁹¹ Yinka Adegoke. *Music Industry Must Rethink Digital Formats*. London, England: Centaur Communications Limited, 2002.

²⁹² Scott Medintz. *Digital Revolutions*. New York, NY: Time, 1998; Michael Colford. "Revolution." *Library Journal*, vol. 125, no. 17, 2000, pp. 112-120; Eric Nicol. *The Music Revolution*. London, England: Haymarket Business Publications Ltd, 2004; Ken C. Pohlmann. *Principles of Digital Audio*. New York, NY: McGraw-Hill, 2005; Harry McCracken. *Needed: One Digital Media Revolution*. San Francisco, CA: PC World Communications, 2007; Tara Brabazon. *The Revolution Will Not be Downloaded: Dissent in the Digital Age*. Oxford, Oxfordshire: Chandos Publishing, 2008.

reasons that it has revolutionised music purchase.

Furthermore, today's music marketplace offers a wide variety of digital options which include downloads/MP3s, ringtones, streaming, Cloud and music videos. Digital Music is no longer simply a technology that can be used to record, store, generate, manipulate, and reproduce sound using audio signals encoded in digital form but is now a new commodity for music.

The rising popularising rate of smartphones, like iPhone and Android devices, is seeing a growing proportion of downloads coming directly from such handsets.²⁹³ In Europe, the growth in smartphone usage has brought other benefits, like Digital song files are available for purchase and download use on computer or mobile device. Downloaded songs, or MP3s, can be easily transferred to a portable music player.

Meanwhile, ringtones can also be purchased, downloaded, and streamed on a mobile device, allowing users to customise their phone. They are available through a wireless provider or various independent services and on a subscription basis. This phenomenon has mostly changed music sales, also making consumption of music more accessible.

Both Streaming and Cloud rely on the advanced modern internet technology offering mobile applications (Apps) that significantly increase the value of premium services, expanding the

²⁹³ Jason R. Rich. *My Digital Entertainment for Seniors (Covers movies, TV, Music, Books and more on your Smartphone, Tablet, or Computer)*. Que Publishing, 2016.

paying audience for services such as Spotify.²⁹⁴ It also is used to market music alongside other digital tools like Facebook and Twitter. Music listening via a computer or mobile device is as comfortable as the press of a button. In most cases, songs and albums are played directly from the streaming site itself, without needing to download additional software. The audiences can stream songs in various ways (Premium Internet Radio/ Internet, Satellite, & Cable Radio). Some advertising-supported services offer free music listening. Others provide advertising-free streaming with a paid subscription.

Digital storage space lets users store, manage, and listen to music purchases anywhere, anytime, without a physical storage device. Thus, Cloud is a watchword in Digital Music, even though the business models using it are still in their infancy. Cloud services respond to consumers' growing interest in connectedness between music and devices. They can either play as a locker which to enable a consumer to access his or her music collection via a range of various devices or offer the user access to a catalogue of tracks from the service provider. In both cases, the music is stored on a remote server from the service provider and streamed to the user's devices. It means fans can access their music collections on their stereos, computers, televisions, game consoles, smartphones, and MP3 players and in different scenarios.

Apple's iCloud enables music purchased from iTunes to be stored remotely on Apple's "servers and played on consumers" devices whenever they want. The service was launched in the US in

²⁹⁴ Spotify is a commercial music streaming, podcast and video service that provides digital rights management - restricted content from record labels and media companies including BBC, Sony, EMI, Warner Music Group, and Universal. Music can be browsed or searched by artist, album, genre, playlist, or record label.

the summer of 2011 with plans for extending to Europe. Moreover, the Cloud-based system in Sony Corporation's Music Unlimited is a music subscription streaming service which matches users' lifestyles to offer them access to music wherever and whenever across a bevy of devices, already launched in the UK and Ireland in December 2010. The service allows subscribers to stream their music from the Cloud to a range of internet-connected devices such as smartphones, game consoles, TVs and Blue-ray players. Thus, the innovative technologies have changed and diversified people's lifestyles, as well as the way they enjoy music and a new form of Digital Music, might fulfil a valuable service for the music market.²⁹⁵

Music Videos are a form of Digital Music with high reach and business application. In the music video, narrative relations are highly complex, and meaning can be created from the individual audio viewer's musical, personal musical taste to sophisticated intertextuality that uses multi-discursive phenomena of Western culture. For example, George Michael's video Killer/Papa Was a Rolling Stone (1993) illustrates the words of the lyrics with logotypes of well-known consumer products. Thus, the new words in the form of commodities' logotypes become an innovative way to reuse this tradition. Accordingly, they create a potentially sizeable advertising-supported business, and that is why Music Videos are used as a visual marketing tool to push sales of the music product further. Music videos are often crafted by professional producers and directors, serving as a primary way for fans to search and enjoy new music. The videos are widely available

²⁹⁵ Michael Grebb. *Music Industry Sees Profits in Going Digital*. New York, NY: Nielsen Business Media, 2000; Chris Ziener. *The MP3 and Internet Audio Handbook: Your Guide to the Digital Music Revolution*. New York, NY: Media Source, 2000; Jenny Colvin. "For Your Consideration: Models for Digital Music Distribution in Libraries." *Music Reference Services Quarterly*, vol. 13, no. 1, 2010, pp. 35-48; Tim Bradshaw. "Music Industry All Ears on Digital Streaming: After Years of Scepticism, the Arguments from Spotify and Its Rivals are Beginning to Prove Persuasive." *The Financial Times*, vol. 17, no. 2, 2012, pp. 58-62.

for streaming or download on various services. For example, YouTube remains the most significant platform for viewing videos online. It accounts for 43 per cent of online videos watched in the top three European markets (UK, Germany and France).²⁹⁶ In short, Digital Music can be broadly classified into downloads/MP3s, ringtones, streaming, Cloud and music videos five main modules by definition. Each of these formats has the business and advertising potential to be managed strategically. This will be discussed in a later Chapter.

3.2 Digital Music: Technological Development

The conversion from analogue audio to digital files allows for the application of coding. In the development history of audio relevant, computers allow users the excellent flexibility and interaction, especially once compression codes evolved in practicality and quality.²⁹⁷ Technically speaking, “an analogue signal is a continuously variable waveform, while a digital signal is a numeric representation of that waveform made by measuring the waveform at many regular intervals, and then storing these measurements as numbers”.²⁹⁸ Digital compression works by using psychoacoustic analysis of the analogue audio stream and removing frequencies outside of the range of human hearing. By continuously explored and wide limits the human hearing, MP3 is an example of a “loss” method of compression: MP3 removes information,

²⁹⁶ Marta Dynel. “Participation Framework Underlying YouTube Interaction.” *Journal of Pragmatics*, vol. 73, no. 1, 2014, pp. 37-52; See also, Juan Ramos-munoz, et al. “Characteristics of Mobile Youtube Traffic.” *IEEE Wireless Communications*, vol. 21, no. 1, 2014, pp. 18-25.

²⁹⁷ Jay McKnight. “Calibration Tapes for Analogue Audio Recording.” *Broadcast Engineering*, vol. 45, no. 12, 2003, pp. 18-27; Ken C. Pohlmann. *Principles of Digital Audio*. New York, NY: McGraw-Hill, 2005; Udo Zölzer. *DAFX: Digital Audio Effects*. Hoboken, NJ: Wiley, 2011.

²⁹⁸ Mat Hans, and Ronald W. Schafer. “Lossless Compression of Digital Audio.” *IEEE Signal Processing Magazine*, vol. 18, no. 4, 2001, pp. 21-25.; William A Pearlman, and Amir Said. *Digital Signal Compression: Principles and Practice*. Cambridge, Cambridgeshire: Cambridge University Press, 2011; Luo Da, Luo Weiqi, Yang Rui, and Huang Jiwu. “Compression History Identification for Digital Audio Signal.” *Ieee Publications Database*, vol. 33, no. 2, 2012, pp. 1733-1736.

whether outside of the range of human hearing or by recognising repeating patterns and eliminating excess.²⁹⁹ Alternatively, “lossless” compression such as ZIP retains all the original information but “squashes” the source.

Finally, there are three kinds of measurements based on sampling: sampling rate, precision, and bitrate.³⁰⁰ Sampling rate is the sound analysis measured in thousands of cycles per second while sampling precision, or resolution, is the amount of information about the individual sample that is saved to the audio file. Bitrate measures the storage of encoded information in kilobits per second (kbps).³⁰¹ Near-CD-quality sound exists in encoded MP3 files at about 128 kbps, and compression software is capable of sampling both higher and lower bitrates—though the higher the bitrate, the better the final sound.³⁰²

The International Standards Organisation (ISO) and the International Engineering Co Consortium (IEC) is mainly responsible for overseeing the emergence of the MP3 format.³⁰³ Their Moving Pictures Experts Group (MPEG) systematised the MP3 encoding method, which was developed at the University of Erlangen in Nuremberg, Germany, under the direction of

²⁹⁹ Qingzhong Liu, Andrew H. Sung, and Mengyu Qiao. “Detection of Double MP3 Compression.” *Cognitive Computation*, vol. 2, no. 4, 2010, pp. 291-306; Jonathan Sterne. *MP3: The Meaning of a Format*. Durham, NC: Duke University Press, 2012.

³⁰⁰ Maia Weinstock. *MP3 Revolution*. New York, NY: Scholastic, 2000; Julia Panko. “Jonathan Sterne. MP3: The Meaning of a Format.” *Symploke*, vol. 22, no. 1-2, 2014, pp. 398-407.

³⁰¹ Scot Hacker. *MP3: The Definitive Guide*. Sebastopol, CA: O’Reilly, 2000.

³⁰² Wei-Gang Fu, Wei-Qi Yan, and M. S. Kankanhalli. “Progressive Scrambling for MP3 Audio.” *Proceedings - IEEE International Symposium on Circuits and Systems*, vol. 6, no. 3, 2005, pp. 5525-5528; Musmann, H. G., and H. G. Musmann. “Genesis of the MP3 Audio Coding Standard.” *IEEE Transactions on Consumer Electronics*, vol. 52, no. 3, 2006, pp. 1043-1059; Yifang Wei, Li Guo, and Yujie Wang. “Controlling Bitrate Steganography on AAC Audio.” *IEEE*, vol. 5, no. 1, 2010, pp. 4373-4385.

³⁰³ K. Brandenburg. “Low Bitrate Audio Coding State of the Art, Challenges and Future Directions.” *IEEE Publications Database*, vol. 3, no. 1, 2000, pp. 594-599; J. D. Biersdorfer. “Wedding MP3 to WMA: Format-Friendly Players: Question.” *New York Times*, vol. G, no. 4, 2002, pp. 4-11.

Dieter Seitzer.³⁰⁴ Several key patents for MP3 technology belong to the Fraunhofer Institut Integrierte Schaltungen.³⁰⁵ Layer-3, one of the major divisions of the MPEG-I class, includes most of the relevant MP3 audio encoding, so MPEG-I, Layer-3 got shorted in MP3 (though MPEG-2 contains some coding as well).³⁰⁶ It is a Digital Music format, which able to compresses audio files to a tenth of the size of the original file, but without sacrificing much of the audio quality of the physical media containing either analogue or digital files.³⁰⁷

Meanwhile, Apple's Advanced Audio Coding (AAC) is a digital audio format—now improved and assigned within the MPEG-4 division—is the data compression scheme originally assigned to the MPEG-2 division in the mid-1990s.³⁰⁸ This semi-proprietary format is copyrighted, and the audio format can be played only by the iTunes music system whether through other technologies use versions.³⁰⁹ AAC files are said to have “more robust coding efficiency” in compression, which means it has a better listening experience than MP3. According to MP3-tech.org, AAC handles more channels and higher frequencies than MP3, as well as improved usage of existing MP3 tools.³¹⁰ Similarly, Windows Media Audio (WMA), the proprietary audio compression format of Microsoft, was designed as an improvement over MP3 and, as with AAC,

³⁰⁴ Gary Eng Walk. *MPEG Audio*. New York, NY: Time, 1999; Gary Eng Walk. *What is MPEG Layer?* New York, NY: Time, 1999.

³⁰⁵ Ted Bridis. “Tech Industry Aims to Render MP3 Obsolete.” *Wall Street Journal*, vol. A, no. 3, 2001, pp. 27-36.

³⁰⁶ Liu Chi-Min, Chen Chin-Ching, Lee Wen-Chieh, and Lee Szu-Wei. “A Fast Bit Allocation Method for MPEG Layer III.” *IEEE Publications Database*, vol. 2, no. 1, 1999, pp. 22-43; K. P. Padhi, S. Kumar, and S. George. “Low Bitrate MPEG 1 Layer III Encoder.” *IEEE Publications Database*, vol. 9, no. 5, 2003, pp. 498-502.

³⁰⁷ D. Pan. “A Tutorial on MPEG/Audio Compression.” *IEEE Multimedia*, vol. 13, no. 2, 1995, pp. 60-74; Ben Waggoner. *Compression for Great Video and Audio: Master Tips and Common Sense*. Hoboken, NJ: Taylor and Francis, 2013.

³⁰⁸ Anonymous. “Digital Music Chip Plays MP3, WMA, and AAC Audio Files.” *Electronic Design*, vol. 51, no. 2, 2003, pp. 35-41; Anonymous. “MP3? AAC? it's as Simple as ABC; Intro.” *The Times*, vol. 4, no. 1, 2005, pp. 27-39; K. Takagi, S. Miyaji, S. Sakazawa, and Y. Takishima. “Conversion of Mp3 to Aac in the Compressed Domain.” *IEEE Publications Database*, vol. 3, no. 2, 2006, pp. 132-135.

³⁰⁹ Jonathan Seff. *iTunes 4: Shopping, Sharing Come to Apple's Music Player-Encoder*. San Francisco, CA: IDG Communications/Peterborough, 2003; *Happy Birthday: iTunes Upgraded*. E5 Global Media, LLC, 2004; Anonymous. “iTunes Controls: Final 1 Edition.” *The Times*, vol. 8, no. 3, 2005, pp. 77-81.

³¹⁰ MP3-Tech. “Overview of the MP3 techniques.” 2015, MP3-tech.org, Accessed 21 May. 2018.

provides Digital Rights Management (DRM), which is software providing for digital copyright protection.³¹¹

Apple's iTunes revolutionised the Digital Music Industry by DRM management. The AAC format protected against rampant piracy; an objective, which MP3 failed to achieve. As a result, almost all companies in the record industry collaborated with iTunes to create large catalogues of artists and songs, available for legal purchase.³¹² Since 2001, iTunes has swelled to an extent where it has provided millions of songs for the preview and it has also been relatively cost-effective to download (typically 99 cents a song in general); an entire album can be downloaded at a lower price in contrast with the cost of a physical CD. Further, iTunes now also includes podcasts, music videos, movies, and other digital media for preview and download. To promote music works, created by artists and with a reduced cost of distribution, artists are able to take advantage of digital-audio formats by releasing specific tracks or publishing and distributing entire albums online. The file formats also allow artists to build a closer connection with their audience by encouraging instant feedback from the network.³¹³ The evolution of Digital Music Technology through development and reforms has dramatically affected the business model and way of operating and managing the Digital Music Industry. The value of music content is recognised on the digital platform. In this case, to a certain extent, learning and understanding

³¹¹ *MP3-Tech*. "Overview of the MP3 techniques." 2015, MP3-tech.org, Accessed 21 May. 2018.

³¹² Joseph Palenchar. "Apple Expanding DRM-Free Music, Unshackles iPhone." *TWICE*, vol. 22, no. 1, 2007, pp. 9-24; Total Telecom Online. *DRM and Copyright: Rights Issues*. London, England: Terrapinn Holdings, 2008; Shin-Chi Lai, Sheau-Fang Lei, and Ching-Hsing Luo. "Common Architecture Design of Novel Recursive MDCT and IMDCT Algorithms for Application to AAC, AAC in DRM, and MP3 Codecs." *IEEE Transactions on Circuits and Systems II: Express Briefs*, vol. 56, no. 10, 2009, pp. 793-807.

³¹³ Patrick M. Reilly. "Entertainment: Sony's Digital Audio Format Pulls Ahead of Philips's, but Both Still Have Far to Go." *Wall Street Journal*, vol. 1, no. 1, 1993, pp. 50-57; Jan Maes, and Marc Vercammen. *Digital Audio Technology: A Guide to CD, MiniDisc, SACD, DVD(A), MP3 and DAT*. Oxford, Oxfordshire: Focal, 2001.

of the development of Digital Music technology are essential for the analysis of the Digital Music Industry.

3.3 Historical Development of Digital Music

3.3.1 The Enlightenment of Digital Music

The road that leads from Edison's tin-foil cylinder in 1877 to today's audio DVD and Digital Music is populated with remarkable inventors, inventions and innovations.³¹⁴ Back then, the critical change was that the gramophone allowed people to listen to music without having to see the performance. It changed the concept of music, on a permanent footing, from being a dynamic and interactive entertainment experience to a fixed product. Music almost became synonymous with the medium of its deliverance, from a wax cylinder to vinyl disk, followed by cassette tape and eventually taking the form of a compact disc.³¹⁵ In essence, music moved, from being a performance and service to a complete product. Past accomplishments contributed to the form of music as it is today and this is a success and signpost of the future, as a continuous quest, to push forward of "what is possible in Digital Music". Moreover, new forms of digital distribution are dramatically transforming market structures in the value chain of the recorded music industry.³¹⁶

³¹⁴ Anonymous. "Edison's Wonder: The Perfected Phonograph and its Uses. The Little Wax Cylinder, and the Part it Plays in the Wonderful Machine." *The Atlanta Constitution*, vol. 5, no. 17, 1888, pp. 118-126.

³¹⁵ Christie Nicholson. *Digital Audio Player*. New York, NY: Scientific American, Incorporated, 2009.

³¹⁶ Doug Reece. *Digital Distribution Making Inroads*. New York, NY: Nielsen Business Media, 1998; Michael S. Richardson. "The Monopoly on Digital Distribution." *Pacific McGeorge Global Business & Development Law Journal*, vol. 27, no. 1, 2014, pp. 103-107; Andrew K. Gonsalves. "Digital Music Distribution." *The Licensing Journal*, vol. 35, no. 3, 2015, pp. 30-45.

In 1978, Sony developed the first digital audio devices for professional recording.³¹⁷ The next year, Sony revolutionised the world of personal audio with the introduction of the portable Walkman audio cassette player.³¹⁸ Though compact disc technology emerged the following year, Sony still went on to sell over 100 million Walkman-like audio players—and that was in addition to innumerable copies made by other manufacturers, even before personal audio players evolved into digital mediums such as Compact Discs (1988) and Mini-Discs (1992).³¹⁹ The Walkman has become one of the most successful brands of Sony, transitioning formats over the years into CD, Mini-Disc, and MP3 and finally to streaming music. Sony retired the classic cassette tape Walkman line in 2010, but the name has still been kept alive in the form of new music player devices and Walkman app.³²⁰ The heyday of the Walkman may be over, with today's youth baffled by the relative clumsiness of cassettes. However, the habit it spawned — listening to music wherever and whenever— has not changed. Digital Music dynamited the relationship between humanity and music.

3.3.2 Digital Music as an Entertainment Service Online

Digital recording devices are continually evolving. Beginning with the introduction of the CD into the marketplace in the early 1980s, the music industry began a transformation from analogue to digital- a change that has precipitated the transformation of music as a product turning music

³¹⁷ F. Bezanilla. "A High Capacity Data Recording Device Based on A Digital Audio Processor and A Video Cassette Recorder." *Biophysical Journal*, vol. 47, no. 3, 1985, pp. 437-451.

³¹⁸ Kunkel Paul. *Digital Dreams: The Work of the Sony Design Center*. New York, NY: Universe, 1999.

³¹⁹ Anonymous. "Sony Intros New Field Audio Recorder." *Broadcast Engineering*, vol. 32, no. 3, 2006, pp. 66-103.

³²⁰ Gay P. Du. *Doing Cultural Studies: The Story of the Sony Walkman*. London, England: Sage Publications, 2003; Jacqueline Nelson. *Sony Walkman*. Toronto, Ontario: Rogers Publishing, 2010; Robert Klara. *The Sony Walkman*. New York, NY: Prometheus Global Media, 2015.

into an entertainment service.³²¹ The CD player had largely replaced the audio cassette player as standard equipment in new automobiles.³²² By digitising music and distributing it on CD, the music industry made it possible for any person to make an infinite number of perfect digital copies of every song, released on a CD. In doing so, the industry opened itself to major changes whose impacts until today has brought the music industry in the current shape. The decision to adopt the digital CD format set the stage for current debates and targets, as well as the ongoing litigation over copyright and the ownership and control of music—ultimately leading to the far-reaching question of whether access will replace ownership. After all, if audiences can hear whatever they wish, whenever they want to hear it, then there is no need to “own” or physically possess the music.

The combination of digital audio and the Internet has created a phenomenon, by which music has almost become a symbol of the modern culture, having the ability to undergo a fast consumption, since the invention of the Moving Picture Experts Group-1, Layer-3 (MP3) in 1990.³²³

The MP3 technique compressed digital audio files by a factor of 12 to a size that can easily be

³²¹ Meg Cox. “Entertainment: Music Firms Vow to Block New CD System.” *Wall Street Journal*, vol. B, no. 1, 1993, pp. 1-12; See also, Laurie Flynn. “CD-ROM’s: They are Not just for Entertainment: Where in the World is the Hot Disk Market? U.S. Businesses.” *New York Times*, vol. F, no. 10, 1994, pp. 79-93; Charlotte Rivers. *CD-Art: Innovation in CD Packaging Design*. Hove, East Sussex: RotoVision, 2003; Tom O’Brien. *That’s Entertainment*. Chicago, IL: CSP, LLC, 2010.

³²² Christine Winter. “Sony Plans CD Player to Fit in Your Pocket.” *Chicago Tribune*, vol. B, no. 3, 1988, pp. 23-46; Christopher Scott and Teri Scaduto. *High-Fashion CD Player*. Farmingdale, NY: Gernsback Publications, Incorporated, 1998.

³²³ David Attwood. *Sound Design: Classic Audio & Hi-Fi Design*. London, England: Mitchell Beazley, 2002; Mark Coleman. *Playback: From the Victrola to MP3, 100 Years of Music, Machines, and Money*. New York, NY: Da Capo Press, 2009.

transferred from computer to computer without compromising quality. Due to wide availability of internet on PCs and phones, as well as on other devices, it has become easier to listen to music through the computer, phone or other devices, rather than from a separate disc.

3.3.3 Streaming Audio Services and the Online Market

RealAudio successfully launched the first major streaming audio service in 1995.³²⁴ In comparison to the long waiting involved to download music, streaming the audio became highly popular, despite the initial poor quality of audio. RealAudio broke the second “sound barrier” by creating the illusion of a “Radio” transmission while maintaining some modicum of fidelity. It changed the paradigm of how audio could be distributed over long distances while still resembling a radio transmission.³²⁵ To a certain extent, it explained the digital meanings of Digital Music.

In 1997, there were some early attempts to sell Digital Music on the Internet. In a “step forward for music commerce,” Capitol Records announced its intention to offer the single from the new Duran album in a downloadable form on the Internet, one month before the release of the album on retail stores³²⁶ Capitol saw this as an exploration of the marketing capacity of the Internet. Retail stores saw this as a threat to sales. Capitol conceded and agreed to delay the release of the

³²⁴ Brett Atwood. *Higher-Quality RealAudio 3.0 Debuts*. New York, NY: Nielsen Business Media, 1996; “RealAudio, RealVideo, and Now a RealMedia Platform.” *Information Today*, vol. 14, no. 4, 1997, pp. 39-47.

³²⁵ Scott Moore. “High-Tech, Low-Fi: RealAudio: Speedier Sound on the Internet.” *The Washington Post*, vol. D, no. 7, 1995, pp. 113-119; Marc Schiffman. *Radio Weighs RealAudio Benefits*. New York, NY: Nielsen Business Media, 1997; Marc Schiffman. *Radio Weighs RealAudio Benefits: Web Broadens Reach, but does it Help at Home?* E5 Global Media, LLC, 1997; Harry McCracken, Lincoln Spector, and Matt Lake. *Radio Free Web*. San Francisco, CA: PC World Communications, 1998.

³²⁶ *Capitol RECORDS*. Cincinnati, OH: Prometheus Global Media, 1997.

single on the Internet to coincide with the album's release in stores. A bit later on, the artist formerly known as Prince, announced that his next album would only be available via the online medium or an 800 number.³²⁷ The move can be suggested as a symbolic statement that in the digital era, the music artists are able to be free from the record labels. He sold 100,000 albums without the aid of a record label. The experiment highlighted that it is hard to create a new distribution service from scratch.³²⁸

In 1998, Justin Frankel and Tom Pepper developed "Shoutcast", the first freeware software for MP3 streaming.³²⁹ Shoutcast gave amateur (and professional) broadcasters the ability to stream MP3 files as Internet Radio, thus adding to the changing paradigm of how "Radio" could be distributed. From a practical perspective, anyone could turn his or her computer into an audio server to distribute audio worldwide. It is the beginning of what is now the "Modern Radio Era", and it has facilitated the spread of Digital Music.

The most important and most unanticipated development of the past two decades is the extensive exchange of Digital Music documents on the Internet. Many technical developments, including software for "transcribe" songs from commercially released CDs, reduced size of these music files, and file-sharing platforms that support the exchange of these files online contributed towards this phenomenon. The popularity of MP3 file sharing, especially amongst young, technically adept, music lovers with disposable incomes, soon encouraged manufacturers to

³²⁷ Olson, Catherine Applefeld. *Capitol Records*. E5 Global Media, LLC, 1997.

³²⁸ Olson, Catherine Applefeld. *Capitol Records*. E5 Global Media, LLC, 1997.

³²⁹ Brett Atwood. *Shoutcasting Howard Stern and More*. New York, NY: Nielsen Business Media, 1999; William Van Winkle. *Shoutcast*. San Francisco, CA: Ziff Davis, 2001.

introduce portable MP3 players. With the increasing popularity of portable digital audio players and solid-state music storage, CDs are increasingly being replaced by other forms of digital storage and distribution.³³⁰ However, they remain one of the primary distribution methods for the music industry. Advancements in digital audio compression formats, data storage and transmission technology had contributed towards the developed Digital Music era. The term “digital audio player” most commonly refers to “portable music players that use non-removable, erasable digital media instead of removable media as a means for storing and playing Digital Music recordings”.³³¹ The first of these, the Elger Labs MPMan F10 and the Diamond Rio PMP300 were introduced in 1998.³³² Suitability of use of digital audio player, in most of the scenarios, has made it a virtually ubiquitous device among music enthusiasts. Early devices used to employ flash memory chips for data storage and used to have a limited capacity; confined to store less than a dozen songs, but these still represent a stage of progress of Digital Music.

The launch of MP3 caused a radical change to the way of the distribution of music and such a digitalisation of music significantly reduced the costs. It also has led towards alteration to patterns of playing music.³³³ The revolution of Digital Music and the evolution of the business model of Digital Music Industry has also affected the traditional record companies’ ability to

³³⁰ Wang, Gong Xi. “The Design about MP3 Digital Audio Player.” *Proquest Digital Dissertations*, vol. 1, no. 1, 2008, pp. 18-32.

³³¹ Christie Nicholson. *Digital Audio Player*. New York, NY: Scientific American, Incorporated, 2009.

³³² Andrei Novak, et al. “Research and Development Platform for Multimedia Streaming of MP3 Audio Content.” *Acta Polytechnica Hungarica*, vol. 3, no. 3, 2006, pp. 5-11.

³³³ Doug Reece. *Industry Hesitant with MP3*. New York, NY: Prometheus Global Media, 1998; Reece, Doug. *Industry Grapples with MP3 Dilemma*. New York, NY: Nielsen Business Media, 1998; Brett Atwood. *MP3 Impact*. New York, NY: Nielsen Business Media, 1999; Maia Weinstock. *MP3 Revolution*. New York, NY: Scholastic, 2000; Antony Bruno. “Mp3 Indubitably.” *Billboard*, vol. 120, no. 25, 2008, pp. 1323-1336.

control the music industry.³³⁴ The competition between the conventional music industry and new technical innovations in the arena of Digital Music, the digital age gradually invented a new pattern and new rules for the music industry.³³⁵ The up-to-date model of organising the music industry and model for ensuring profit in the music business has emerged gradually. In the era of Digital Music, the status of traditional music distribution channel steadily declined, and network marketing emerged as a mainstream concern. The new sales channel went through the online music store for the sake of building a profit-sharing model to get the music copyright without purchasing it, and then to offer Digital Music as an online product for further sale to consumers. The way to purchase and enjoy music has become much more straightforward.

3.3.4 Online Music Download Platforms

In May of 1999, Shawn Fanning and Sean Parker launched Napster that is a peer-to-peer file-sharing network which enabled people to share and swap their music by remotely accessing each other's hard drives, rather than accessing payment platforms. The decentralised nature of peer-to-peer (P2SP) applications enabled massive numbers of files to be accessed simultaneously, by millions of users at one time.³³⁶ It was initially founded as a pioneering P2P file-sharing Internet

³³⁴ Mark Ox. "E-Commerce Business Models for the Music Industry." *Popular Music and Society*, vol. 27, no. 2, 2004, pp. 201-209; Brent Shearer. *Music Industry Suffers Discord in its Business Model*. Philadelphia, PA: SourceMedia, 2007; J. S. Crabo. "Music Industry Torn on Evolving Business Models." *RCR Wireless News*, vol. 26, no. 12, 2007, pp. 30-40; Ludovic Hunter-Tilney. "The Music Industry's New Business Model." *Financial Times*, vol. E, no. 3, 2010, pp. 21-27; Leonhard Dobusch, and Elke Schüßler. "Copyright Reform and Business Model Innovation: Regulatory Propaganda at German Music Industry Conferences." *Technological forecasting & social change*, vol. 83, no. 2, 2014, pp. 24-39.

³³⁵ *Economist*. "The Music Industry: Upbeat." 2003, www.economist.com/node/2177244. Accessed 21 May. 2018; Andrea Ordanini. "Selection Models in the Music Industry: Reply." *Journal of Cultural Economics*, vol. 31, no. 2, 2007, pp. 159-162; David J Teece. "Business Models, Business Strategy and Innovation." *Long Range Planning*, vol. 43, no. 2, 2010, pp. 172-174; Geoff Heath Obe. *A Time for Change? Which New Business Models should the Music Industry Adopt--and how can they Help it Grow?* New York, NY: NewBay Media LLC, 2013.

³³⁶ James Cope. "P2P Over the Internet." *Computerworld*, vol. 36, no. 15, 2002, pp. 21-27; *Economist*. "Napster All over Again?" 2002, www.economist.com/node/1049860. Accessed 21 May. 2018; Adam Haupt. *Stealing Empire: P2P, Intellectual Property and Hip-Hop Subversion*. Cape Town: Human Sciences Research Council, 2008; John Alderman, and Richard Barbrook. *Sonic Boom: Napster, P2P and the Battle for the Future of Music*. London, England: Fourth Estate, 2014.

service that emphasised sharing of audio files, typically music, encoded in MP3 format. Moreover, Napster made it relatively easy for music enthusiasts to download copies of songs, that otherwise were difficult to obtain, such as older songs, unreleased recordings, and songs from bootleg concert recordings. This activity soon spread like a viral infection, infecting every consumer possessing a computer and a dial-up connection. Napster proceeded to redefine the Internet, the music industry and the way people used to think about IP. Napster already had 20 million users, and it expanded dramatically with the ability to offer about 14,000 songs for download by every single minute.³³⁷ The concept of music sharing, brought by Napster, began to be acceptable by many. It directly affects those working in the music industry and associated businesses. However, the company and its creators were targeted by the RIAA (Recording Industry Association of America) through its suite of attorneys, having the support of several global superstars like Metallica and Dr Dre.³³⁸

To the music labels, Fanning and Parker were utterly destroying a system that had been in place for decades and was toying with a carefully crafted system, that allowed attached parties and any middlemen, a certain percentage of each music product sold. To the musicians, the Napster co-founders were outright thieves, providing an avenue to steal music without paying for it. Parker and Fanning were either the villains or the heroes. Meanwhile, more and more artists vehemently opposed the free trading of their music.³³⁹ However, due to the RIAA's lawsuit, Napster ended

³³⁷ Marilyn A. Gillen. *Study: Napster Eroding Retail*. New York, NY: Prometheus Global Media, 2000; Patrick Burkart. "Trends in Digital Music Archiving." *The Information Society*, vol. 24, no. 4, 2008, pp. 246-263.

³³⁸ Anonymous. "Rapper Dr. Dre Lists Napster Users He Says Infringed Copyright." *Wall Street Journal*, vol. 5, no. 1, 2000, pp. 74-77; See also, Todd Spangler. "The Napster Mirage." *Inter@ctive Week*, vol. 7, no. 29, 2000, pp. 64-70; Tamara Conniff. *Napster Settles Copyright Disputes*. E5 Global Media, LLC, 2001.

³³⁹ Peter P. Nieckarz Jr. "Community in cyber space?: The Role of the Internet in Facilitating and Maintaining a Community of Live Music Collecting and Trading." *City & Community*, vol. 4, no. 4, 2005, pp. 403-423.

up shutting down in July 2001, its creators eventually forced to pay millions of dollars to artists and copyright holders.³⁴⁰ The RIAA might have missed an enormous opportunity to settle and turn Napster into a paid service and could have changed the course of the business history of the music industry. The company struck a deal with the National Music Publisher's Association to pay \$26 million for the past abuses and \$10 million toward future royalties.³⁴¹ After Napster's shutdown, other peer-to-peer file-sharing services, such as Kazaa, Morpheus and Grokster sprang up; however, in contrast to Napster, these services avoided the use of a centralised server.³⁴² Since then, Napster has gone through several iterations. The ease of downloading individual songs, facilitated by Napster and later services, is often credited with ushering at the end of the Album Era in favourite music.³⁴³

The emergence of Napster changed the music industry's development to a greater extent. As mentioned above, Napster considerably speeded up the publicity and promotion of Digital Music. Napster created a sense of music sharing and online music consumption. It is difficult to quantify, but Napster's emergence posed a threat to the entire music industry and remained an unsolved conundrum. The problem, the music industry had with Napster, was that it represented an automated way to copy copyright material. It is a fact that a lot of people made thousands of pirated music copies through Napster, thus depriving the music industry and the artists of receipt

³⁴⁰ Bartsch, Kendall. "The Napster Moment: Access and Innovation in Academic Publishing." *Information Services & Use* vol. 37, no. 3, 2017, pp. 343-348.

³⁴¹ Walter S. Mossberg. "Behind the Lawsuit: Napster Offers Model for Music Distribution." *Wall Street Journal*, vol. B, no. 3, 2000, pp. 117-120; Anonymous. "Napster: 5L Edition." *The Times*, vol. 50, no. 1, 2001, pp. 61-68; *In Brief: Napster Results*. United Kingdom: CMP Information, 2007.

³⁴² Walter S. Mossberg. "Behind the Lawsuit: Napster Offers Model for Music Distribution." *Wall Street Journal*, vol. B, no. 3, 2000, pp. 117-120; Anonymous. "Napster: 5L Edition." *The Times*, vol. 50, no. 1, 2001, pp. 61-68; *In Brief: Napster Results*. United Kingdom: CMP Information, 2007.

³⁴³ Trevor Merriden. *Irresistible Forces: The Business Legacy of Napster & the Growth of the Underground Internet*. Oxford, Oxfordshire: Capstone, 2001.

of royalties for them.³⁴⁴ People loved Napster as they could access the music for free instead of paying money for CDs.

Individuals tend to be least concerned about IP issues of the music business, thus letting pirated music to get stored and play from their machines. It means that anyone could have the ability to download music for free, based on the act of someone who had spent the time to encode the music in the MP3 format. P2P utilities employing such sort of decentralised approach are virtually impossible to prevent. Since there is no central server as intermediates to maintain the index of users, it is hard to target to stop the use of the program. Content developers in music, video and other industries are beginning to realise that fundamental changes in the way, royalties and licensing operate, are vital to keeping up with the revolutionary world of the internet. The popularity of file sharing has shaken the foundations of the recording industry, whose profit for over a century has remained dependent on restricting the ability of record buyers to make and transmit high-quality, free copies of their products.

3.3.5 Portable Digital Devices

Remote Solutions introduced the first MP3 player, incorporating a magnetic hard-drive, which boasted the capacity of 1,200 songs in the late 90s; in 1999, Audiences could fit more than 100 MP3 tracks on a typical audio CD instead of around 16 tracks in the old format (WAV).³⁴⁵ These still retained something close to CD quality. The attraction of the MP3 is the way of store music,

³⁴⁴ This type of piracy is still happening now, through sites other than Napster. See Chapter 4

³⁴⁵ Brett Atwood. *Mp3 Technology*. E5 Global Media, LLC, 1999; "Doubts about MP3." *The New York Times*, vol. E, no. 3, 1999, pp. 20-33.

its ability to compress music and its convenience to play music. Thus, as mentioned, it has transformed the way people purchased and listened to music. It can be suggested that through MP3, music and humanity have become more linked so closely to each other which never had happened before.

The first commercially available digital audio players, in the United States, using the MP3 format, by the prestigious Fraunhofer Institut Integrierte Schaltungen Research Centre had been in development since 1987.³⁴⁶ Digital Audio Broadcasting brought the revolution of the music industry, and it achieved meteoric success with the introduction of Apple's iPod in 2001.³⁴⁷

3.3.6 Digital Piracy

The publicity, surrounding the legal battles, was extraordinary, but its result was not exactly as was wished by the labels. The labels were vigorous in their pursuit of "evil". Piracy trend, facilitated by the emergence of Napster music, appeared to have pushed their customers into an unstoppable feeding frenzy for online. Napster filed for bankruptcy protection in 2002.³⁴⁸ Software developers, around the world, came forward and created P2P applications to fill the vacuum. Online sharing of MP3 files has continued unabated.³⁴⁹

³⁴⁶ K. Brandenburg, and H. Popp. "MPEG layer-3." *EBU Technical review*, vol. 1, no. 1, 2000, pp. 1-15.

³⁴⁷ Steven Levy. *Ipod Nation*. New York, NY: IBT Media, 2004; Andy Serwer. *It's iPod's Revolution: We just Live in it*. New York, NY: Time, 2005; Michael Bull. *Sound Moves: IPod Culture and Urban Experience*. London, England: Routledge, 2007; Staci A. Stanfield. "The iPod Revolution: An Exploratory Case Study of the Implementation of an iPod Touch Pilot Program." *Proquest Digital Dissertations*, vol. 2, no. 2, 2013, pp. 18-33.

³⁴⁸ Tom McCourt, and Patrick Burkart. "When Creators, Corporations and Consumers Collide: Napster and the Development of On-line Music Distribution." *Media, Culture & Society*, vol. 25, no. 3, 2003, pp. 333-350.

³⁴⁹ Jan U. Becker, and Michel Clement. "The Economic Rationale of Offering Media Files in Peer-to-Peer Networks." *37th Annual Hawaii International Conference on System Sciences, 2004. Proceedings of the*. IEEE, 2004.

Use of approach, similar to Napster, is technically and legally more insidious and cleverer. Companies and P2P file-sharing systems, including Kazaa, Morpheus, Grokster, Imesh and Limewire have grown stronger than Napster ever was. It has been estimated that millions of copies of these free software applications have been downloaded and that millions of people are trading music files online, every single minute around the world.³⁵⁰

The Napster service still exists today. However, it is a hollow shell of its former self—part of the music subscription service known as Rhapsody.³⁵¹ Hundreds of music platforms and software have come and gone since 1999 (Limewire, BitTorrent). Napster also deserves the credit for being a driving force besides revolutionising music consumption. Its legacy and effect on the Digital Music Industry are continuing till today.

On the other hand, it is often noted that the advent of Napster represents a cultural paradigm shift.³⁵² It laid the foundation for legal download services like iTunes (which started the same year that Napster crashed) suggesting that it was disruptive in a salutary way. However, it inaugurated an era in which people felt that everything on the Internet should be free for use.³⁵³

³⁵⁰ Sebastian Rupley. *Is P2P File Sharing Fading? Have Recording Industry Lawsuits Slowed Down P2P File Sharing?* New York, NY: Ziff Davis Media, 2004; Sterk, Diana. "P2P File-Sharing and the Making Available War." *Northwestern Journal of Technology and Intellectual Property*, vol. 9, no. 7, 2011, pp. 495-505; Ze Li, and Haiying Shen. "Social-P2P: Social Network-Based P2P File Sharing System." *IEEE Publications Database*, vol. 3, no. 1, 2012, pp. 1-10; H. Amin, M. K. Chahine, and G. Mazzini. "P2P Application for File Sharing." *IEEE Publications Database*, vol. 2, no. 1, 2012, pp. 1-14; Gengyu Wei, Zhizhao Wang, and Deyu Yuan. "A View of P2P File-Sharing Service." *IEEE Publications Database*, vol. 9, no. 7, 2012, pp. 639-642.

³⁵¹ Antony Bruno. *Mobilizing Subscriptions: Rhapsody, Napster Seek Wireless Growth*. E5 Global Media, LLC, 2008; Anonymous. *Napster Bought by Rhapsody*. New York, NY: NewBay Media LLC, 2011; Chris Morris, and Christopher Morris. "Harmonizing Online: Rhapsody to Absorb Napster Subs." *Daily Variety*, vol. 313, no. 2, 2011, pp. 16-21.

³⁵² Danielle Nicole DeVoss, and James E. Porter. "Why Napster matters to writing: Filesharing as a new ethic of digital delivery." *Computers and Composition*, vol. 23, no. 2, 2006, pp. 178-210.

³⁵³ Anonymous. "MP3 and Napster Controversies." *Information Outlook*, vol. 4, no. 8, 2000, pp. 79-87; Peter H. Lewis. "Napster Rocks the Web." *New York Times*, vol. G, no. 1, 2000, pp. 99-103; Douglas Clement. *Was Napster Right?* Minneapolis, MN: Federal Reserve Bank of Minneapolis, 2002.

It created ongoing moral and financial problems of the music industry. Further, Napster caused publishers to think about new ways to make money, with a new role for fan clubs and music-based communities, and by enabling the people to review the conceptualisation of the issue of copyright by the people:

“Digital file-sharing technology necessarily implicates copyright law because every digital file may be considered a fixed copyrighted work. The transmission of the file to another person would qualify as reproduction, distribution, and possibly the performance of the copyrighted work [...] by applying the legal principles of contributory and vicarious infringement, the Napster court has expanded liability to those who develop and distribute P2P file-sharing systems and tools”.³⁵⁴

The immense popularity of file sharing, although offensive, had caught the attention of the industry for several reasons. On the one hand, music piracy and other forms of electronic media piracy were long-standing and well-founded concerns. These concerns had led professionals to protect high-end technologies such as digital audio tape owing to the fear that individuals would learn to “expertly steal material”.³⁵⁵ CDs—since they used uncompressed and, therefore, relatively large, digital files—initially helped to protect the original audio while still exploiting

³⁵⁴ Grace J. Bergen. “The Napster Case: The Whole World is Listening.” *Heinonline*, vol. 15, no. 3, 2002, pp. 260-271.

³⁵⁵ Anonymous. “Editorial: TV Industry must Confront Web Piracy.” *Electronic Media*, vol. 21, no. 1, 2002, pp. 9-25; *Piracy Loss*. E5 Global Media, LLC, 2004; Aylor, Alasdair. “Publishing and Electronic Piracy.” *Learned Publishing*, vol. 19, no. 3, 2006, pp. 168-179; Guertin, Carolyn. *Digital Prohibition: Piracy and Authorship in New Media Art*. London, England: Continuum International Pub, 2012.

digital technology.

However, the ever-increasing interest of consumers in digital audio also led the industry to develop methods for proper handling of media, which would ultimately protect the rights of both; the business and the artists.³⁵⁶ A primary reason, for the ease of digital file-sharing, has to do with compression codecs (compression/decompression algorithms). Part of the music logo has stood eliminated during the compression process. MP3 files, for example, are as much as 90% smaller than the original files, making sending and downloading much quicker. Therefore, applicative Digital Music gradually became a mainstream culture in the music industry.

Ever since the invention of electricity, music and technology have worked hand-in-hand, people share, contribute, collaborate and trade music amid a constant flow of new songs that suit their tastes and preferences without any palpable constraints or limitations. Music is ubiquitous and can be accessed in user-friendly formats.³⁵⁷ The music industry was redefined continuously, moving away from corporate domination to a more artist-driven share of the market. Fans, artists and music communities drive the business instead of some corporate power. All herald a new era

³⁵⁶ William Dowell, and Michael Krantz. *Digital Music, Right Off the Net*. New York, NY: Time, 1996; Anonymous. "Secure Digital Music Initiative." *Computer Music Journal*, vol. 24, no. 1, 2000, pp. 1-12; Ann Harrison. *Music - the Business: The Essential Guide to the Law and the Deals*. London, England: Virgin, 2011; Glenn Peoples. "Digital Music's Rise." *Billboard*, vol. 125, no. 41, 2013, pp. 1388-1398.

³⁵⁷ Patrik Wikstrom. *The Music Industry: Music in the Cloud*. Cambridge, Cambridgeshire: Polity, 2009; Michael L. Jones. *The Music Industries: From Conception to Consumption*. Basingstoke, Hampshire: Palgrave Macmillan, 2012; Sam de Boise. "Understanding the Music Industries." *Information, Communication & Society*, vol. 17, no. 7, 2014, pp. 911-933; Jeremy Wade Morris. "The Music Industry." *Journal of Broadcasting & Electronic Media*, vol. 58, no. 2, 2014, pp. 324-336.

for Digital Music.

Thus, when audio players became integrated into PDAs and technological advance of cell phone again drove change at the turn of the millennium. When legal issues temporarily shut down the Napster, MP3 filesharing dipped, allowing Steve Jobs and Apple Computers to release their iPod in 2000. Apple's digital player and proprietary format quickly took over the Digital Music market and became an integral part of the whole music industry, leaving other companies, from Microsoft to Sony, to struggle and scramble for a share. Although the iPod is not the only music player device in the market, it is the best-known device before the inception of the new technology of music software apps on the Smartphone.

3.3.7 The Launch of Apple and YouTube: The Digital Empire

In 2003, a legitimate yet tentative Digital Music market began to take hold. Steve Jobs and his team at Apple Computer convinced all five major record companies to license their songs to Apple for distribution via the new iTunes music store. In its first year, Apple sold 70 million songs at \$0.99 per song, creating nearly \$70 million in legal internet music sales. The new market for legal downloading looked set to affect the sales of CDs redefining the basic unit of music consumption.³⁵⁸ That effort, reinforced by Apple's enormous "Rip, Mix, Burn" Digital Music marketing campaign, was a breakthrough for the legitimate online Digital Music market. Despite Apple's efforts, it may be proved ultimately impossible to compete with "free". The P2P

³⁵⁸ Anonymous. *Focus on Legal Music Downloading*. London, England: Haymarket Media Group, 2004; Stuart Kemp. *Huge Market seen for Legal Downloading*. E5 Global Media, 2005; Jason Hahn. "Downloading the Truth: Is "Allofmp3" Legal?" *Southern California Interdisciplinary Law Journal*, vol. 16, no. 2, 2007, pp. 397-410; Anonymous. "Legal Music Downloading is on the Decrease." *New Media Age*, vol. 7, no. 1, 2008, pp. 111-133.

onslaught might have indeed destroyed the current record companies, but it did not prevent the existing copyright holders from trying to keep the control.³⁵⁹

When iTunes was released in 2003, Jobs never thought that after ten years, the Digital Music online annual sales platform turnover might reach nearly \$7 billion.³⁶⁰ It changed the way of acquiring and sharing music in a single generation. The rapid development of iTunes mirrors the evolution of music from the original vinyl to tapes and CDs, and then to a digitised carrier, and this is a living history of the development of Digital Music. Accordingly, the iPod was not merely a legitimate, technologically advanced must-have device for carrying tunes on the go—it was also a fashion statement that “helped turn the iPod from a tech gadget into a cultural icon”.³⁶¹

The fashion statement was rapidly embraced by over 150 million people worldwide.³⁶² Fashion aside, while sales of the iPod have helped drive its evolution, Apple’s innovations allowed the iPod to continue to lead the music market. Apple led the cell phone market with the iPhone, integrating all the features of the iPod with the modern cell phones, including a full range of multimedia applications, Internet browsing, and touch-screen technology in 2007.³⁶³ Meanwhile, other products such as the Microsoft Zune, as well as devices from Creative and SanDisk, having

³⁵⁹ Anonymous. “Top Record Company Embraces P2p File Sharing.” *The Licensing Journal*, vol. 27, no. 6, 2007, pp. 25-37.

³⁶⁰ Anonymous. “iTunes.” *Nursing Standard*, vol. 23, no. 26, 2009, pp. 63-77; Tim Ingham. *iTunes Still Gaga for Music Industry*. London, England: New Bay Media LLC, 2014.

³⁶¹ D. E. Wittkower. *iPod and Philosophy: ICon of an ePoch*. London, England: Open Court, 2008; J. Zach Schiller. *Sound Moves: iPod Culture and Urban Experience*. Washington, DC: American Sociological Association, 2009.

³⁶² Eric Jenkins. “My iPod, My Icon: How and Why Do Images Become Icons?” *Critical studies in media communication*, vol. 25, no. 5, 2008, pp. 466-489; Ronald Gilbert. “From Icons to iPods: Visual Electronic Media use and Worship Satisfaction.” *Proquest Digital Dissertations*, vol. 1, no. 1, 2010, pp. 50-61.

³⁶³ Greg Linden, Kenneth L. Kraemer, and Jason Dedrick. “Who Captures Value in a Global Innovation System? The case of Apple’s iPod.” vol. 1, no. 1, 2007, pp. 1-10.

features similar to that of the iPod, surfaced and contributed towards work to advance; both the MP3 and WMA formats, by further enriching their sound quality through new technology that replicated the uncompressed original in a better way. These devices, however, claimed only a small share of the industry. Apple's iTunes Store bagged immense success, more than anyone else, since its debut a decade ago In 2008; it became the top music vendor in the United States and the top music vendor in the world in February 2010.³⁶⁴ The success of iTunes store is rooted in a successful business model, built around a simple yet compelling value proposition; a comprehensive digital catalogue makes the world's music available to consumers in an extremely convenient way.

YouTube, surfaced in the year 2005, is another technology-driven innovation, the world's third most popular visited website and second-largest search engine; after parent company Google. It quickly became the most mainstream music streaming service – 64% of teens listen to music through YouTube, while 7% of all ages do so.³⁶⁵

Like iTunes, YouTube's value proposition is simple -- it is a free and easy way to share and access the most extensive collection of music videos.³⁶⁶ The "free" quality of the video streaming platform has enabled it to secure an impressive user base, thus making it a desirable platform for advertisers. The company recently announced that advertisements on the streaming

³⁶⁴ Joel Waldfogel. "Music File Sharing and Sales Displacement in the iTunes Era." *Information economics and policy*, vol. 22, no. 4, 2010, pp. 306-314.

³⁶⁵ Kiri Miller. *Youtube*. Oxford, Oxfordshire: Oxford University Press, 2011.

³⁶⁶ Jean Burgess, and Joshua Green. *YouTube: Online Video and Participatory Culture*. Cambridge, Cambridgeshire: Polity, 2009; William Feldman, and Patti Feldman. "YouTube: Your Marketing Platform." *Contractor*, vol. 60, no. 12, 2013, pp. 374-393.

platform show a higher return on investment (ROI) in comparison to TV advertisement for brand advertisers.³⁶⁷ YouTube makes the majority of its revenue from advertising based on a click. However, rates were better by linking the advertisement with the viewer demographic, and it results in a higher pay out per click. On the cost side of the equation, expenses come through internal activities such as paying partners, typical operating expenses, and cost of technology and network maintenance. External activities, which may include actual video production, is done, free of charge, by the platform's vast user base.

For those hoping to be discovered on YouTube, audiences have the opportunity to find the music of different bands and various musical groups and YouTube is a platform which can facilitate anyone having plans to build a larger fan base.³⁶⁸ Bands such as Avenged Sevenfold have created their channels with enough songs to fill several albums. Performing artists have also been known to post entire concerts through YouTube's easy-to-use interface as a way to promote future tours or concerts. Bands posting on YouTube are not just from America rather many different music groups post on YouTube's Music section. European bands such as Epica, Sonata Arctica, and the famous Gothic rock band, Nightwish, have witnessed their reputation spread through YouTube. As these bands tour the globe, fans record videos at concerts, and with the power of technology, upload them directly to YouTube from their Blackberry or Smartphone. The power of video sharing has revolutionised the way for bands and performing artists distribute their products to

³⁶⁷ Michael Miller. *YouTube for Business: Online Video Marketing for any Business*. Indianapolis, IND: Que, 2009; Carl G. Pry. "Advertising in the YouTube Age." *ABA Bank Marketing*, vol. 41, no. 3, 2009, pp. 52-59; Deepmala Jain, and Sonia Goswami. "Role of Youtube in Viral Video Marketing." *International Journal of Management, IT and Engineering*, vol. 3, no. 12, 2013, pp. 65-77; Matthew Garrahan. "YouTube Advertising Revenue Surges 50% to \$5.6bn." *The Financial Times*, vol. E, no. 13, 2013, pp. 3-17.

³⁶⁸ Antony Uno. *The YouTube Conundrum*. New York, NY: Nielsen Business Media, 2007; Alex Pham, and Rich Appel. "Radio YouTube." *Billboard*, vol. 125, no. 44, 2013, pp. 50-65; Angela Moscaritolo. "YouTube to Fund its Biggest Video Stars." *PC Magazine*, vol. 61, no. 7, 2014, pp. 27-38.

their fans and promote themselves without the aid of recording companies.

Before the Digital Era, consumers used to buy a CD, cassette or record to listen to music. However, nowadays, any music lover can access YouTube, type in any song and can start listening. Prior to YouTube, singers had to perform to small audiences in bar gigs and had to arrange small performance with the hope to be discovered. YouTube now offers an audience of millions. Almost one billion individuals monthly use YouTube and six billion hours of video are being watched each month on YouTube³⁶⁹ This dominant player on the landscape of online video continues to blanket the web at an impressive scale. YouTube has also sparked a series of new media companies, conventions, and veritable stars. Accordingly, uploading a video to YouTube may not guarantee a ticket to fame, but it does increase the chances of talented musicians of being discovered.

Prior to posting videos at YouTube, Justin Bieber was known for singing at a local level and had not gained a level of fame.³⁷⁰ Justin Bieber appeared on YouTube when Justin's mother shared his performance with relatives online via YouTube. After the initial video, she began posting at regular intervals, most of them featuring young Justin covering popular R&B hits. His videos soon began getting multiple hits each day, with people even subscribing to his channel. Just being 18 years old, he achieved a level of stardom that many people consumed their whole lives, trying

³⁶⁹ Laura Fitzpatrick. *Brief History YouTube*. New York, NY: Time Incorporated, 2010; Michael Miller. *YouTube for Business: Online Video Marketing for any Business*. Indianapolis, IND: Que, 2011; Brian A Smith. "All Access: YouTube, the History of the Music Video, and its Contemporary Renaissance." *Proquest Digital Dissertations*, vol. 2, no. 1, 2014, pp. 60-74.

³⁷⁰ Anonymous. *Youtube*. New York, NY: NewBay Media LLC, 2011; Shirley Halperin. "The Making of Justin Bieber." *Hollywood Reporter*, vol. 4, no. 17, 2011, pp. 112-129.

to reach. Many factors have contributed to his success, but YouTube can be suggested as one of the most important links.³⁷¹ Therefore YouTube has provided excellent value for customers, fortifying its position as the premier video streaming site for consumers, content creators and advertisers. On an important note, YouTube has injected vigour into the Digital Music Industry.³⁷²

3.3.8 New Approaches in the Sales Model

Apple entered the market in 2003, and it is essential to analyse and understand its approach to sales. The iTunes Store was the first Digital Music store to offer a unique payment model that allowed consumers to purchase and download individual songs rather than full albums. It can be suggested as a management model that controlled the continuous change and different requirements of consumers.³⁷³ Furthermore, the physical constraints of a brick-and-mortar store limited retailers to stock only the most popular titles, whereas the iTunes Store benefits from stocking a wide range of offerings, from hits to the most niche titles, taking advantage of the comparably cheaper digital shelf space associated with an online marketplace.

The critical resources include patents on its software and other IP, staff (including but not limited to lawyers, programmers, designers, and testers), and most importantly, a healthy existing brand

³⁷¹ Sara Catherine Howard. *Justin Bieber: Musical Phenom*. Maryland, MD: E L Kurdyla Publishing LLC, 2012.

³⁷² Vanessa Juarez. *YouTube Nation*. New York, NY: Time, 2006; Ben Sisario. "Youtube Acquires Music Payment Processor." *The New York Times*, vol. B, no. 2, 2011, pp. 55-67; Anonymous. *YouTube Music Key: UK Industry Execs React*. London, England: NewBay Media LLC, 2014; Maura Edmond. "Here we Go again: Music Videos After YouTube." *Television and new media*, vol. 15, no. 4, 2014, pp. 305-320.

³⁷³ Brett Danaher. "Essays on the Economics of Digital Media and Internet Piracy." *Proquest Digital Dissertations*, vol. 3, no. 5, 2010, pp. 35-42; Oliver Small. "Reshaping the Music Distribution Model: An iTunes Opportunity." *Journal of media business studies*, vol. 9, no. 4, 2012, pp. 441-468; David Arditi. "iTunes: Breaking Barriers and Building Walls." *Popular Music and Society*, vol. 37, no. 4, 2014, pp. 408-424.

and customer loyalty. External activities include actual music recording production and preparations, necessary to create a finished product, which is delivered to the iTunes Store by the label or by the sound-recording owner or administrator. Internal activities include managing legal relationships with labels, sound-recording owners and administrators besides maintaining and improving the software, technology and database design to ensure a unified approach to all of Apple's products and services.³⁷⁴

The iTunes Store's comprehensive catalogue, in addition to its seamless integration with the Apple products and services, has made it one of the most successful Digital Music model in the post-Napster age, besides making it the number one source of revenue of the major labels in the Western world. Their customer-pleasing portal and payment methods are now the fundamental standard of the Digital Music Industry, which many other digital platform replicates.

Moreover, the iTunes Store is an iconic name that will always be remembered as the service that spawned the legal music download industry.³⁷⁵ Its most significant achievement, to date, is not the quantity of media that has flowed from its stores (although hugely impressive), but the smart way in which it has used its hardware to drive consumers to its iTunes Store. With more online music services now appearing, many of them offering (sometimes) cheaper media downloads,

³⁷⁴ Miao Chen, and Xiaozong Liu. "Predicting Popularity of Online Distributed Applications: iTunes App Store Case Analysis." *ACM*, vol. 13, no. 5, 2011, pp. 661-663; See also, Anonymous. "Competitors to iTunes are Gearing Up: Streaming, often from Networks' Own Sites, Looks Like the Winning Model." *TelevisionWeek*, vol. 26, no. 37, 2007, pp. 20-40; Joseph Palenchar. "iTunes Tagging: How Radio Stations, Radios Deliver the Best Experience." *TWICE*, vol. 24, no. 36, 2009, pp. 27-38.

³⁷⁵ Anonymous. "IN BRIEF: iTunes Remains Leading Legal Downloading Site." *New Media Age*, vol. B, no. 12, 2005, pp. 57-83; Jesse D. Hollington. *iPod & iTunes Portable Genius*. Hoboken, NJ: Wiley, 2009; Tim Bradshaw, Matthew Garrahan and Leslie Hook. "Apple Streaming Service Leaves iTunes Behind: Music Industry Hopes New Offering Will Provide a Model for Growth as Downloading Era Appears to be Coming to an End." *The Financial Times*, vol. E, no. 10, 2015, pp. 12-37.

Apple needs to make sure that it mirrors present and future trends to maintain its dominance. Apple's persistent innovations and innumerable technological research by other manufacturers and development trend make it hard to determine what the future holds for digital audio players. It is worthwhile to look back at the relatively short 150 years history of audio players to see how far, speaking in the perspective of technology, people have already advanced.

3.3.9 New Players in the Digital Music Industry and Their Business Model

In 2008, with 24 million active users and 6 million paying subscribers, Spotify had rapidly become the most favourite streaming service on-demand and music downloads.³⁷⁶ The key driver of its business model has the similar value proposition as of iTunes and YouTube: it offers a breadth of music at the touch of the fingertips, either for free (supported by advertising) or with added benefits available through flexible subscription plans. To date, Spotify primarily makes its revenue from advertisement and subscription fees. To offer its extensive music catalogue, it maintains licensing agreements with rights owners and patents its software and platform. The company's costs include internal activities such as operating expenses (salaries, rents), bandwidth costs, network maintenance, and external activities like licensing agreements (the bulk of their costs), development of software and APIs to be used by third-party developers, and partnerships with telecommunications providers and automobile industry.

As mentioned earlier, Spotify is operating at a loss. However, music industry believes that the

³⁷⁶ Ian Darby. *Spotify*. Teddington, London: Haymarket Business Publications Ltd, 2009; Andrew Barker. "Spotify's Free Spree: Music Streamer Tries its Model in U.S." *Daily Variety*, vol. 312, no. 5, 2011, pp. 4-20; Anonymous. "Sony, Spotify and the Statistical Symphony: How Data Can Save the Music Industry." *Strategic Direction*, vol. 29, no. 7, 2013, pp. 25-37.

streaming service's "freemium" business model stands as a long-term strategy that will lure its growing free user base to paying the subscription to would lead the recording industry towards its recovery.³⁷⁷ The business models of the companies discussed above are partly successful in their value propositions to all or some partners. However, there still exists a big room for innovation and improvement based on flourishing opportunities in the Digital Music Industry. A brief overview of current opportunities in the digital market for Spotify and others will assist in revealing their business models.

In 2012, Digital Music revenues increased 9% of an estimated \$5.6 billion, accounting for a third of global music industry revenues.³⁷⁸ Digital channels are increasingly becoming a significant source of income for record labels and publishers in several markets such as Norway, Sweden, India and the US. In the United Kingdom, digital revenues surpassed substantial revenues for the first time in 2012, equating the United States, where 50.3% of total music sales were digital in 2011.³⁷⁹ This impressive growth can be attributed to the continued business model innovation of music and the expansion of global digital services. The leading licensed music platforms, including iTunes, Spotify, are currently offering their services in over 185 countries and on a

³⁷⁷ Anonymous. "Spotify Drives Ad Revenues through Major Brand Deals." *New Media Age*, vol. 2, no. 1, 2009, pp. 1-23; G Kreitz, and F Niemela. "Spotify -- Large Scale, Low Latency, P2p Music-on-Demand Streaming." *IEEE Publications Database*, vol. 1, no. 1, 2010, pp. 1-10; O'Reilly, Lara. *Spotify "Blazes an Online Music Trail"*, *Say Rivals*. London, England: Centaur Communications Limited, 2011; Tim Bradshaw. "Spotify on Song with 1m Paying Subscribers." *The Financial Times*, vol. E, no. 7, 2011, pp. 21- 37; Tim Bradshaw, and David Gelles. "Spotify Embraces Open Platform." *The Financial Times*, vol. E, no. 19, 2011, pp. 27-39; Andrew Edgecliffe-Johnson. "Spotify Reaches Out to Wider Web." *The Financial Times*, vol. E, no. 16, 2012, pp. 22-41; I Robert Cookson. "Spotify Pays More than 80% of its Turnover to Rights Holders." *The Financial Times*, vol. E, no. 2, 2014, pp. 7-19; Sven Grundberg. "Corporate News: Spotify Cuts Loss as Revenue Surges." *Wall Street Journal*, vol. B, no. 2, 2014, pp. 17-36.

³⁷⁸ Anonymous. "Believing in Streaming: the Music Industry." *The Economist*, vol. 410, no. 8879, 2014, pp. 63-77.

³⁷⁹ Ian Darby. *Music Labels Plot Ads to Lift Digital Sales*. Teddington, London: Haymarket Media Group, 2013

combined scale, the services have increased almost nine times in the past two years.³⁸⁰

Stu Bergen, Executive Vice President, International Head of Global Marketing of Warner Music Group, expressing optimism because of the global reach of digital services, stated: “We have plenty to do and some amazing opportunities ahead of us. Until recently, most of our revenues came from a handful of countries. Today, digital channels mean we can monetise markets worldwide much more effectively.”³⁸¹ Music Download continues to account for the majority of sales in global digital revenues, touching 70% of total revenues. However, the 40% revenue growth rate of streaming services makes streaming the fastest growing sector in the Digital Music Industry and a vital source of digital revenues.³⁸²

Thus, the growth of paid subscriptions showed an encouraging trend as the number of paying subscribers, in 2012, grew to over 20 million at a global level, demonstrating a 44% increase in contrast with 2011.³⁸³ For the first time, overall revenues, from subscription music services, are believed to account for over 10% of digital revenues.³⁸⁴ In Scandinavian countries, streaming

³⁸⁰ Anonymous. *Deezer Predicts Digital Fallout--and Even iTunes Isn't Safe*. New York, NY: NewBay Media LLC, 2011; Paul Springer, and Mel Carson. *Pioneers of Digital; Success Stories from Leaders in Advertising, Marketing, Search, and Social Media*. London, England: Kogan Page, 2012; Tim Bradshaw, Matthew Garrahan and Leslie Hook. “Apple Streaming Service Leaves iTunes Behind: Music Industry Hopes New Offering Will Provide a Model for Growth as Downloading Era Appears to be Coming to an End.” *The Financial Times*, vol. E, no. 10, 2015, pp. 9-17.

³⁸¹ Martin Peitz, and Patrick Waelbroeck. “An Economist’s Guide to Digital Music.” *CESifo Economic Studies*, vol. 51, no. 2, 2005, pp. 359-368; Matthew Hofmeister. “The RIAA and Online Piracy: Why Bundling Access to Digital Music with Other Products and Services Would Give the Industry Greater Control Over Downloading.” *The Entertainment and Sports Lawyer*, vol. 28, no. 1, 2010, pp. 1-17.

³⁸² Charles Arthur. *Digital Wars: Apple, Google, Microsoft and the Battle for the Internet*. London, England: Kogan Page, 2012.

³⁸³ Jeremy Wade Morris, and Devon Powers. “Control, curation and musical experience in streaming music services.” *Creative Industries Journal*, vol. 8, no. 2, 2015, pp. 106-122.

³⁸⁴ Jessica E. Lessin, and Hannah Karp. “Apple Music Streaming to Debut --- Tech Company on Monday Expected to Unveil Service that would Compete with Pandora, Spotify.” *Wall Street Journal*, vol. B, no. 4, 2013, pp. 62-66.

services account for a bulk of digital revenues.³⁸⁵ Spotify does see a similar trend across Nordic countries, but primarily for Sweden and Norway, where the penetration for streaming services is very high.³⁸⁶ Sweden, the birthplace of Pirate Bay and streaming giant Spotify, has witnessed a positive impact on overall music sales and a drastic decrease in piracy, as legal streaming solutions are prevalent.³⁸⁷ This confirms that to create business models with ability to resonate with consumers, in addition to focusing on enforcement of copyright law, is more valuable. While the increase in recent subscription rates is encouraging, they have yet to enable most music streaming platforms to operate as profitable businesses.

Paying copyright holders, when their content is streamed, can be a burden which is the challenge of the “freemium” business model, employed by leading streaming services, particularly when free users greatly outnumber paying subscribers as they currently do. Pandora pays an estimated 50-60% of revenue for content acquisition, while Spotify reportedly pays 70% for content acquisition alone, leaving little room for factoring in other costs. Even with revenues continuously increasing since 2010, Pandora and Spotify have experienced net losses due to these expenses. The primary challenge, subscription music services face today, is the difficulty of attracting more paying subscribers to their platforms (Spotify reportedly converts 20% of its free users into paid users).³⁸⁸ If these Digital Music services can achieve substantive conversions,

³⁸⁵ Yngvar Kjus. “Musical Exploration Via Streaming Services: The Norwegian Experience.” *Popular Communication*, vol. 14, no. 3, 2016, pp. 127-136.

³⁸⁶ Marine Elgrichi. “Swedes prefer streaming to downloading” 2013, www.thelocal.se/20130310/46646. Accessed 21 May. 2018.

³⁸⁷ Michael Walker Jr. “A Better Public Performance Analysis for Digital Music Locker Storage.” *St. John’s Law Review*, vol. 87, no. 2-3, 2013, pp. 629-645.

³⁸⁸ Erin Griffith. *Streaming Music has A Problem--It’s A Huge Success: Pandora, Spotify and Others Need Money--and Where They Want to Get it from is Ruffling A Few Feathers*. E5 Global Media, LLC, 2012; Brian Stauffer. *Pandora, Clear Channel and Spotify*. E5 Global Media, 2013; Glenn Peoples. *Mobile Ad Growth Spurt: Can Facebook and Pandora’s Gain Work for Spotify and Other Subscription Services?* E5 Global Media, 2013; Anonymous. “APP SNAP: Spotify Vs. Pandora.” *Grand Forks Herald*, vol. 3, no. 7, 2013, pp. 118-134.

streaming may inevitably become a long-term business model. In late 2012, streaming platform Rdio launched its Artists Program to pay artists \$10 for each new paying subscriber they refer to the service. The effectiveness of this concept is unclear and unique to Rdio.³⁸⁹ In a world, where paid music services inevitably compete with free, streaming platforms seek to create added value for consumers in their paid offerings, if they wish to increase subscription rates.

3.4 Conclusion

The continued explosiveness of the digital age is continuously changing the landscape of the music industry. In the era of Digital Music, it may be possible to develop a suitable business model for Digital Music due to the technical upgrades. Summarised technological development of Digital Music clarifies the cause of changes in the music industry. Although the Digital Music operators offer different views on business models, most study agrees that the music business that to forge new profitable patterns and new industrial chain. If the music industry, as an economical chain, is characterised by each link being profitable, from the creation to the final purchase, taking account of production processing and other aspects of a traditional wholesale or retail business model, Digital Music may subvert existing theory, as every aspect of the situation may not be profitable. This model may be right for consumers, but a traditional sales model is challenging to operate. As more music service providers are getting into the Digital Music business, they will seek a development model to fit with the current situation. Due to the

³⁸⁹ Olga Kharif. "Skype Founders Zennstrom, Friis Begin Streaming-Music Service; the Serial Entrepreneurs' Latest Venture, Rdio, is their Second Stab at Digital Music on the Web." *Business Week Online*, vol. 1, no. 7, 2010, pp. 33-57; Andrew Barker. "Online Music Moshpit: Streaming Site Rdio Touts Ad-Free Tier." *Daily Variety*, vol. 313, no. 5, 2011, pp. 4-19; David Murphy. "Rdio Follows Spotify, Drops Family Plan Pricing." *PC Magazine*, vol. B, no. 1, 2014, pp. 1-26; David Murphy. "Rdio Debuts New \$4/Month 'Rdio Select' Service." *PC Magazine*, vol. B, no. 2, 2015, pp. 17-29.

successful sales of music content in the era of digital distribution, a business model based on artists or music content has gradually taken shape. A large number of musical works are for sale on Digital Music platforms, which provides a practical basis for the Long Tail theory under Internet marketing. Based on the consumption habits cultivated by the development of the traditional record industry and the protection of copyright by-laws and technologies, the western Digital Music model, mainly driven by Europe and the United States, has been gradually developed.

This Chapter examines the shift to streaming and online catalogues, together with the background environment, shows how Digital Music operates as a business model and interprets each significant change as it occurs. Through the timeline, a straightforward way of understanding what the Digital Music Industry is and how it developed to date. It is now necessary to explore China's Digital Music and map its development on that of the West.

Chapter 4 An analysis of China's Digital Music Industry

This Chapter evaluates the development of China's Digital Music Industry. It will focus on the understanding and analysis of China's Digital Music Industry in the perspective of a variety of questions for seeking clarification to pave the way for the subsequent application of theory and practice. Part one, through the chronological approach, outlines the history of the development of China's Digital Music Industry. The second part examines the early theoretical framework of the Digital Music Industry in China. The third part concentrates on the systems and structures in the Digital Music Industry with a focus on some principal Digital Music companies. It also examines the Digital Music market and critical issues regarding its development. The fourth part set the context for the research, explain the historical development of the research and highlight the contemporary challenges it presents in the current context. The final section concludes China's Digital Music Industry. Research in this Chapter is based on primary data analysis and data has been gleaned from Chinese websites, weekly newspapers, and magazines. Primary data, thus collected, has been summarised and compiled to review the evolution of Digital Music in a Chinese context.

4.1 The History of China's Digital Music Industry

This section outlines the early development of the Digital Music Industry in China that took place during the period from the late nineteen-hundreds. Given the rapid spread, development and convergence of digital technologies in computing, telecommunication and music, besides enthusiasm for blending of new technologies in preferences of Chinese people, the development of China's Digital Music Industry was almost synchronised with the West.³⁹⁰ During the period

³⁹⁰ Business Wire. "Research and Markets: China Digital Music Forecast 2010-2014: Retail Revenue in China's Digital Music Market to Reach \$858M in 2014." *Business Wire*, vol. 13, 2010, pp. 95-247; Lucy Montgomery. *China's Creative Industries: Copyright, Social Network Markets and the Business of Culture in a Digital Age*. Cheltenham, Gloucestershire: Edward Elgar, 2010; Hardy Y. Xiang, and Patricia A. Walker. *China Cultural and Creative Industries Reports 2013*. Dordrecht: Springer, 2013.

mentioned earlier, Digital Music Industry in China occupied the central core of the Chinese music industry's value chain and exerted a great influence on China's music. Telecommunication and computer companies started to engage in China's music industry since the late nineteenth hundreds by using the platform of the internet for distribution and transmission.³⁹¹

4.1.1 Early phase (1999-2004): Achieving Market Share in a Context Where Piracy is the Norm

In 1999, the trend of having personal computers emerged and the access of the general public to the Internet expanded. It facilitated the emergence of The Digital Music market and people gradually became accustomed to accessing music services through the Internet. Music and the Internet converged and became synergetic. "9Sky" and the "A8 Music Group" were the pioneers to start an online music business and mobile music business in 1999 and 2000 respectively.³⁹² In 1999, "9Sky" with several music sites was launched as a symbol of China's online music and it was a cornerstone to build online Digital Music platform from the perspective of initial development.³⁹³ Due to the impact of Napster, the majority of music sites in China offered music sharing and downloading services, free of charge. Due to the population base in China, seizing a sizable market share has always been the top priority for Chinese companies. Because of China's specific cultural and social attributes (piracy, demographics; many young people, lack of understanding of copyright) and absence of familiarity with Laws dealing issue of copyright,

³⁹¹ Peter Tschmuck. "A Brief History of China's Music Industry – Part 4: The Contemporary Digital Music Industry in China." 2012. musicbusinessresearch.wordpress.com/2012/12/30/a-brief-history-of-chinas-music-industry-part-4-the-contemporary-digital-music-industry-in-china. Accessed 21 May. 2018.

³⁹² PR Newswire. "A8 Music Announces 2009 Interim Results." PR Newswire 13 Aug. 2009; *PR Newswire* "Reportlinker Adds Mobile Music in China: Making the Right Noises." *PR Newswire* 13 Jan. 2011; David Yeh. "Rough Road Ahead for China's Music Services. (CHINA FORUM)." *Wireless Asia*, vol. 10, no. 4, 2007, pp. 30.

³⁹³ Business Wire. "Examine Which Mobile Music Services Are Driving Growth in the Chinese Market. (Industry Overview)." *Business Wire*, vol. 28, no. 2, 2006, pp. 1214-1374.

a trend of counterfeit CDs emerged in some regions.³⁹⁴ It was challenging to anticipate whether the pursuance of code of conduct, regarding piracy of Digital Music, by a company was right or wrong in a scenario when everyone was engaged in the same. However, certainly, free Digital Music downloads and free access of consumers to online music services posed a severe risk for the future of the Digital Music Industry in China. China's Digital Music Industry seemed to have a bad start.³⁹⁵

In 2000, "Sogua", a new pattern of Digital Music website went online.³⁹⁶ It offered song searching, listening and downloading services in a variety of audio formats. Due to the high-quality music services it provided, it quickly swept the Internet and attracted a large number of music lovers and fans. This was beneficial for the promotion and dissemination of music, but at the same time, a large number of high-quality songs, which could have been downloaded free of cost, flooded the internet in China. Losses to some music brands were immeasurable.³⁹⁷ "NetEase search" (a service provided by NetEase, which is one of the biggest Portal sites in China) went online the same year as that of MP3 search services.³⁹⁸ This whole scenario can be suggested as of how China's portals on the web acquired piracy behaviour in Digital Music and

³⁹⁴ Business Wire, "With Piracy Crackdown, Legal Digital Music Industry in China Will Bloom Reports In-Stat." *Business Wire*, 17 Jan. 2006; Zhang Li. "Annual Report on the Digital Publishing Industry in China: 2007–2008." *Publishing Research Quarterly*, vol. 26, no. 1, 2010, pp. 51–58; Jiarui Liu. "The Tough Reality of Copyright Piracy: A Case Study of the Music Industry in China." *Cardozo Arts & Entertainment Law Journal*, vol. 27, no. 3, 2010, pp. 621–661; Xianrong Huang, and Hao Ting. "System of Digital Publishing Policies and Regulations in China." *Library Hi Tech*, vol. 32, no. 3, 2014, pp. 397–408; Anthony De Ritis, Si Si, David Herlihy, and Yu Zhang. "Music Industry and Copyright Protection in the United States and China." *Global Media and China*, vol. 1, no. 4, 2016, pp. 390–400.

³⁹⁵ Business Wire. "With Piracy Crackdown, Legal Digital Music Industry in China Will Bloom Reports In-Stat." Business Wire 17 Jan. 2006; Eric Pfanner. "Digital Sales of Music Increase. (Business/Financial Desk) (Financial Report) (Brief Article)." *The New York Times*, 25 Jan. 2008, C2; Zhilei Tong, Fang Yan, and Jie Hao. "Digital Copyright Protection in China." *Publishing Research Quarterly*, vol. 24, no. 1, 2008, pp. 48–53; Herb Thompson. "China's Creative Industries: Copyright, Social Network Markets and the Business of Culture in a Digital Age." *Journal of Contemporary Asia*, vol. 41, no. 3, 2011, pp. 510–512; Maurice Vergeer, and Chen, Liang. "China's Creative Industries: Copyright, Social Network Markets and the Business of Culture in a Digital Age." *New Media & Society*, vol. 15, no. 1, 2013, pp. 157–158; Xianrong Huang, and Ting Hao. "System of Digital Publishing Policies and Regulations in China." *Library Hi Tech*, vol. 32, no. 3, 2014, pp. 397–408; Michael Keane, and Edward Elgar Publishing. *Handbook of Cultural and Creative Industries in China*. Northampton, MA: Edward Elgar, 2016.

³⁹⁶ Sogua Official website. music.sogua.com/index_create.en-us.asp. Accessed 21 May. 2018.

³⁹⁷ Qinwei Li. "Multi-national Music Labels Receive Little Copyright Protection in China." *China Law & Practice*, vol. 20, no. 8, 2008, pp. 874–981; Dan Levin. "In China, Free Online Music with a Twist: It's Legal; 3 Labels License Songs to Search Engine Known for Pirated Downloads." *International Herald Tribune*, 20 July 2011.

³⁹⁸ Netease Official website. ir.netease.com/phoenix.zhtml?c=122303&p=irol-IRHome. Accessed 21 May. 2018; Also see in Wikipedia. en.Wikipediapedia.org/Wikipedia/NetEase. Accessed 21 May. 2018.

how it facilitated towards the spread of piracy on the internet.³⁹⁹

During 2000, “Wanwa” developed its own approach in numerous music websites.⁴⁰⁰ Safeguarding the downloading of legitimate online music was its primary purpose from the onset.⁴⁰¹ “Wanwa” launched a series of paying services which included downloading, peripheral products sale and ticketing services. This is not only China’s earliest formal music download site with charges but also the first website who purchased the music licensing.⁴⁰² However, in a situation of widespread piracy, this was undoubtedly the first drop of rain for the development of China’s Digital Music Industry, it was actually like a water droplet which headed towards the ocean.

A8, a music vendor, and China Mobile’s provincial division in Guangdong were the first on record, in 2001, to sell ringtones for feature phones.⁴⁰³ A ringtone download cost one yuan and 50% of sales revenues went to copyright holders. It was the most successful model for selling

³⁹⁹ Zhilei Tong, Fang Yan, and Jie Hao. “Digital Copyright Protection in China.” *Publishing Research Quarterly*, vol. 24, no. 1, 2008, pp. 48-53; Jonathan Landreth. “China Top Five: Live and Digital Opportunities Are Emerging in the Piracy-ravaged Chinese Music Market. (MAXIMUM EXPOSURE).” *Billboard*, vol. 121, no. 38, 2009, pp. 29; Jiarui Liu. “The Tough Reality of Copyright Piracy: A Case Study of the Music Industry in China.” *Cardozo Arts & Entertainment Law Journal*, vol. 27, no. 3, 2010, pp. 621-661; Jiarui Liu. “The Tough Reality of Copyright Piracy: A Case Study of The Music Industry in China.” *Cardozo Arts and Entertainment Law Journal*, vol. 27, 2010, pp. 621-737; Xudong Lin, Dandan Zeng, Lin Cheng, and Jingjing Wang. “Study on the Influence Factors of Music Piracy in China Based on SEM Model.” *Service Systems and Service Management (ICSSSM)*, 2015.

⁴⁰⁰ iResearch. “Digital Music report 2012.” data.iresearch.cn/company/7919.shtml. Accessed 21 May. 2018.

⁴⁰¹ Sina Tech. “Web frog music website officially opened” tech.sina.com.cn/news/internet-china/2000-03-22/20754.shtml. Accessed 21 May. 2018.

⁴⁰² Sina Tech. “Web Frog Music Website Officially Opened.” tech.sina.com.cn/news/internet-china/2000-03-22/20754.shtml. Accessed 21 May. 2018; Accessed 21 May. 2018; Free Music on Internet Illegal. “Free Music on Internet Illegal.” 2001. www.china.org.cn/english/2001/Mar/9655.htm. Accessed 21 May. 2018.

⁴⁰³ Business Wire. “Analyse the Development of the Music Phone Market in China.” Business Wire 27 Aug. 2007.

legitimate Digital Music in China so far.⁴⁰⁴

“Baidu” the largest search engine by market share and revenue in China, released a music search service in November 2002.⁴⁰⁵ From then onwards, Chinese users would not find anything easier to navigate for free music downloads, few of which were legitimate at that time. “Baidu MP3” soon occupied the dominant position in China’s Digital Music, due to its disregard for the spread of pirated music.⁴⁰⁶ Music labels, whether big or small, regarded it as a public enemy. Protracted copyright disputes and lawsuits began with the Big Four labels (EMI, Sony BMG, Universal Music Group and Warner Music Group) and could not settle until 2011.⁴⁰⁷

After “Baidu” was founded, the MP3 search business emerged. The scale of the online music market rapidly expanded. Meanwhile, with increased expectations and rapidly growing needs of users, compelled more companies to join the field of Digital Music, to seize the emerging opportunities actively. With the rise of P2P download, the most popular services in China were KURO, KAZAA and SOULSEEK and these can be suggested as to attract people which resulted in the development of large fan clubs.⁴⁰⁸ These platforms allowed arbitrary searching, downloading and sharing music resources and this proved a threat to the evolution of Digital Music Industry. Subsequently, they were quickly encountered and suppressed by the copyright owners and were forced to restructure their business or exit the Digital Music business. It reflects

⁴⁰⁴ PR Newswire. “A8 Digital Music Announces a Record High Revenue and Profit of RMB706 Million and RMB80 Million in 2008, Increased by 147% and 45% Respectively.” *PR Newswire*, 25 Mar. 2009; Business Wire. “Examine Which Mobile Music Services Are Driving Growth in the Chinese Market. (Industry Overview).” *Business Wire*, 28 Nov. 2006.

⁴⁰⁵ Peter Ollier. “Baidu Settles with Music Labels. (China).” *Managing Intellectual Property*, July-August 2011.

⁴⁰⁶ Ting Low. “From Baidu to Worse.” *Entertainment Law Review*, vol. 20, no. 2, 2009, pp. 64-67; Weiqin Zhang. “The Baidu Music Settlement: A Turning Point for Copyright Reform in China?” *Journal of Information Policy*, vol. 3, 2013, pp. 77-103; Eric Priest. “Copyright Extremophiles: Do Creative Industries Thrive or Just Survive in China’s High-Piracy Environment?” *Harvard Journal of Law & Technology*, vol. 27, 2014, pp. 467-587.

⁴⁰⁷ Jiewen Xiao. “Music Companies Universal, EMI, Warner, Sony BMG and Their Local Subsidiaries Are Suing China’s Largest Search Engine Baidu.” *Telecom Asia*, vol. 16, no. 10, 2005, pp. 17.

⁴⁰⁸ E.Schultz. “Security Views - Malware Update.” *Computers & Security*, vol. 26, no. 1, 2007, pp. 3-13; Yuexin Qian. “Music Phone Solution Launched by Spreadtrum, Amoi and Kuro in China.” *Internet Business News*, Jan 2, 2008; Zhian Zhao. *Chinese Music Industry Development Report*. Beijing: Communication University of China Press, 2015.

the tolerance of the copyright side towards piracy and to some extent, the bottom line. After that, “free trial listening” websites sprung up at a large scale. Although these websites claimed P2P sharing, they took the risk of avoiding copyright for downloading music services. Users could not download and store music as freely as by using KURO or other similar services.⁴⁰⁹ As the copyright owners (Big four labels) still had the certain ability to crack down on piracy at that time but were quite helpless considering the fact that these were encountering China’s huge number of websites offering pirated music and this fact compromised their ability to control piracy.

“Rye Music”, later renamed “Taihe Rye”, is one of the few local labels that have tried to operate authorised music services since its inception. It was founded by Song Ke, a veteran in the music production and distribution industry, and Gao Xiaosong, one of the most famous Chinese-language musicians.⁴¹⁰ In 2003, the company bought the digital rights of a song, “*The First Snow in 2002*” making it a ringtone. That song became a national hit, and it was downloaded millions of times and made about two-million-yuan net revenue for “Taihe Rye”.⁴¹¹ Meanwhile, Rock Records in Taiwan closed the physical record distribution channels and transferred its core work to Digital Music. It reflects how record companies accomplished the high expectations for the Digital Music Industry and stepped up in the direction of development and profit-making.

In the earlier days of Digital Music Industry, due to limited storage and uncertainty over the dissemination of technology, the enterprises engaged in the Digital Music Industry had insufficient information regarding online music product characteristics, competition in the

⁴⁰⁹ Chris M. Walsh. “Kuro Case Sets P2P Precedent. (The Latest News From .biz).” *Billboard*, vol. 119, no. 2, 2007, pp. 8; PR Newswire. “Spreadtrum, Amoi and Kuro Jointly Launch China’s First Solution for Music Phones Offering Copyrighted Music.” *PR Newswire*, 02 Jan. 2008; PR Newswire. “Stars Gathered for a New Mobile Music Experience Sponsored by Spreadtrum, Amoi and Kuro.” *PR Newswire*, 17 Mar. 2008; Mark Hachman. “Music Piracy Arrives on the Phone.” *ExtremeTech.com*, June 21, 2010; John Mooney. “Irish-run Website Investigated over Ebook Piracy Operation. (News).” *Sunday Times (London, England)*, 18 Dec. 2011, pp. 6.

⁴¹⁰ Wikipedia. “Taihe Rye Music” en.Wikipediapedia.org/Wikipedia/Taihe_Rye_Music. Accessed 21 May. 2018.

⁴¹¹ Yini Wu. *An Analysis of Digital Music Profit Model*. Beijing: Communication University of China Press, 2009.

market, and user preferences. They independently set up the product, marketing and service strategy based upon only on China's unprecedented widespread market. They miscalculated the strong potential and enormous market share of Digital Music in China. Since the barriers to entry in Digital Music Industry were relatively low, many companies potentially endangered the future of the Digital Music Industry when they vigorously promoted pirated downloads to rapidly improve the user base at the early stage of rapidly expanding Digital Music Industry. The copyright issue remained unsolved. Piracy and free downloads significantly impacted the legitimate music market in China. Accordingly, music websites found it challenging to survive and widespread piracy hindered the development of a healthy environment for a legitimate Digital Music Industry in China.

4.1.2 Growth Phase (2004-2009) : Advertising Revenue Sharing and Mobile (wireless)

Value-Added

Copyright issues started to catch the attention of all parties from 2004.⁴¹² National copyright agencies began to appear, and record labels took a very tough approach to the protection of music copyright. Lawsuits were made in the courts of law against such music websites who were not following the Copyright besides for such websites facilitating illegal downloads websites.⁴¹³ Cooperation to combat piracy alleviated the problem of piracy but has still not been able to curb it completely. Legitimate companies continue to be affected by China's rampant piracy environment. The iTunes Music Store and other legitimate music sales model operated successfully in overseas markets and this stimulated Chinese companies to explore opportunities of online sale of legitimate music. Legitimate music websites launched free trial listening and an

⁴¹² Zhilei Tong, Fang Yan, and Jie Hao. "Digital Copyright Protection in China." *Publishing Research Quarterly*, vol. 24, no. 1, 2008, pp. 48-53; Kexuan Li. "Multi-National Music Labels Receive Little Copyright Protection in China." *China Law & Practice*, vol. 20, 2008, pp. 8; Anthony De Ritis, Si, Si, Herlihy, David, and Zhang, Yu. "Music Industry and Copyright Protection in the United States and China." *Global Media and China*, vol. 1, no. 4, 2016, pp. 390-400.

⁴¹³ Hollywood Reporter. "Court to Hear Baidu Infringement Suit." *Hollywood Reporter*, vol. 404, no. 15, 2008, pp. 4; August Zhang, and Landy Jiang. "Beijing Court Rules Yahoo! China's Music Service Liable for Copyright Infringement." *Journal of Intellectual Property Law & Practice*, vol. 3, no. 6, 2008, pp. 358-359.

advertising revenue-sharing model in China.⁴¹⁴

“A8”, “9sky.com” and “top100.cn” were the independent foremost legitimate Digital Music providers.⁴¹⁵ They paid to copyright or label holders. They stopped offering illegal downloading services and tried all paying models for Digital Music services. However, these music providers sharply lost their user base when “Baidu MP3” business entered the market, as its empowered consumers to download music files without charge.⁴¹⁶

The year of 2005 can be suggested as a turning point in China’s music industry, as the status of Digital Music in the industry greatly improved during this year.⁴¹⁷ Almost all of the record labels relied on China’s mobile operators with the anticipation that mobile (wireless) value-added market can be a main source of income in the future. Revenue swelled to billions of yuan due to increased sale of ringtones.⁴¹⁸ It was then when traditional music album labels noticed firstly that Digital Music had great market potential. By virtue of selling ringtones, the sales model for Digital Music changed at that time.⁴¹⁹ It stimulated the consumers’ demand which leads to the further development of the whole music industry. Because of the characteristics of the Ringtones business (short value chain, terminal independence, no piracy, easy to spread), it proved to be conducive to enable operators to break into Digital Music market. Moreover, it proved beneficial for the cultivation of consumption habits and building a user base. In 2005, the song “Mice All

⁴¹⁴ Ftchinese. “Downloading music legally in China” 2007. www.ftchinese.com/story/001009162. Accessed 21 May. 2018; Xiong Qi. Wang Luo Shi Dai Yin Yue Zhu Zuo Quan Xu Ke Mo Shi Yan Jiu. *Beijing: University of Beijing Press*, 2015; Nibba News. “Google China has launched its music service with top100.cn.” 2008. www.sin80.com/pub/710. Accessed 21 May. 2018.

⁴¹⁵ Joy Lu. “Clicks drive boom in legal music downloads.” 2006. www.chinadaily.com.cn/china/2006-06/21/content_622050_3.htm. Accessed 21 May. 2018.

⁴¹⁶ Patrick Frater, and Masson, Gordon. “China Digital Dance; EMI, Baidu Bow Online Streaming Service.” *Daily Variety* vol.294, no.14, 2007, pp. 10; Corporate IT Update. “Baidu to Provide Search Capability to China Unicom for 3G Users.” *Corporate IT Update*, Oct 19, 2009; Campaign. “The World: Beijing - Music Industry Gangs up to Boycott “pirate Purveyor”.” Campaign, vol. 1, 2008, pp. 19; “The Baidu Music Settlement: A Turning Point for Copyright Reform in China?” *Journal of Information Policy*, vol. 3, 2013, pp. 77-103.

⁴¹⁷ iResearch. “China’s Digital Music report 2005.” www.iresearch.com.cn/report/492.html. Accessed 21 May. 2018.

⁴¹⁸ Thompson Herb. “China’s Creative Industries: Copyright, Social Network Markets and the Business of Culture in a Digital Age.” *Journal of Contemporary Asia*, vol. 41, no. 3, 2011, pp. 510-12; Yang Yang. “A Record Tailspin.” 2012. europe.chinadaily.com.cn/epaper/2012-06/29/content_15535621.htm. Accessed 21 May. 2018.

⁴¹⁹ Shuying Liu. “Dian Nao Shi Dai De Shu Zi Yin Yue.” *Hownet Academy*, vol. 4, no. 1, 2009, pp. 137-141.

Love Rice” which gained nationwide popularity, hit six million downloads a month.⁴²⁰ As a result, it earned an income of twelve million yuan having an equivalent worth of sale of seventy thousand traditional music tracks in China.⁴²¹ Many people believed that 2005 was “the first year of China’s Digital Music”.⁴²² Popularity of songs was not measured by charts from radio stations but by the ranking list of Ringtones downloads. According to iResearch “China’s Digital Music report in 2005”, China’s Digital Music market size increased from 800 million yuan in year 2003 to 2.78 billion yuan in year 2005.⁴²³ Wireless download of ringtones music throughout the Digital Music market accounted for more than 90% of the income of Music Industry.⁴²⁴ Ringtones not only made a considerable profit for the recording companies but also paved the way for the future development of the music industry by accelerating the process of digitisation of the music industry in China.

When the 3G network began to surface in China in 2005, Ringtones had the advantage of offering a full play song to a large user base. It made it easy to expand the business and to extend the services to whole song downloads and other Digital Music provisions.⁴²⁵ Thus, Ringtones was no longer a simple value-added service, but it served as a channel to promote Digital Music.

2005 is also the year when free trial music websites peaked, again driven by the popularity of Ringtones. In addition to advertising, free trial music with Ringtones downloading turned to be

⁴²⁰ PR Newswire. “Mice Love Rice; Chinese Love Mobile Music.” *PR Newswire*, August 2, 2005; PR Newswire. “Hurray! Retains Copyright of “Mice Love Rice” by Court Ruling.” *PR Newswire*, 31 Aug. 2006; Baidu Baike. baike.baidu.com/item/%E8%80%81%E9%BC%A0%E7%88%B1%E5%A4%A7%E7%B1%B3/2690088. Accessed 21 May. 2018.

⁴²¹ Baidu Baike. baike.baidu.com/item/%E8%80%81%E9%BC%A0%E7%88%B1%E5%A4%A7%E7%B1%B3/2690088. Accessed 21 May. 2018.

⁴²² Huawei. “Evolution of the Digital Music Industry in China.” www1.huawei.com/enapp/198/hw-079854.htm. Accessed 21 May. 2018; Peter Tschmuck. “A Brief History of China’s Music Industry.” 2012. musicbusinessresearch.wordpress.com/2012/12/30/a-brief-history-of-chinas-music-industry-part-4-the-contemporary-digital-music-industry-in-china. Accessed 21 May. 2018.

⁴²³ iResearch. “China’s Digital Music report 2005.” www.iresearch.com.cn/report/492.html. Accessed 21 May. 2018.

⁴²⁴ Han Qian. “3G Shou Ji Jiang Yi Shu Zi Yin Yue Ti Dai Cd.” *Vip Chinese*, vol. 3, no. 5, 2013, pp. 247-275.

⁴²⁵ Richard Wray. “Regulation of Ringtones in China Hits Monsternob.” *The Guardian (London, England)*, 11 July 2006, pp. 24; David Yeh. “Rough Road Ahead for China’s Music Services.” *Wireless Asia*, vol. 10, no. 4, 2007, pp. 30.

a vital profit model for music websites.⁴²⁶ However, other websites offering music downloads continued to make low-profit margins. In 2005, “Baidu MP3” was prosecuted by several recording companies including the Big Four labels and lost its lawsuit with “EMI Busheng Music”. “Baidu” paid up but did not change its “Baidu MP3” mode. Copyright wars with pirates failed to improve the conditions at the time, but it affected the existing copyright protection system.⁴²⁷ Concurrently, “NetEase” was compelled to close its MP3 search service under the pressure of the copyright owners.⁴²⁸

New sale models were launched successfully by “Taihe Rye” who unsatisfied by the share of value-added profits from mobile platforms, began to digitise their marketing model and tried to sell the digital version of a new song by a famous singer directly on their website in 2005.⁴²⁹ At the cost of four yuan for a download — a price equivalent to a ten-song album at that time. Downloads of the digital version of this song soon reached one million.⁴³⁰ The result looked very profitable, and the Digital Music Industry suddenly moved into the era of selling songs.⁴³¹ However, digital marketing of music omitted production processes shortening the time cycle and involved spending. Record companies found the most convenient way to enhance profits with low capital outlay. However, servers and payment solutions meant considerable cost, about 30% of the sales revenue.⁴³² Finally, Taihe Rye dropped the direct sales model.⁴³³ The

⁴²⁶ Loretta Chao. “Chinese Start-up Takes on Music Pirates; R2G Goes after Illegal Downloads of Ringtones, with Record Industry’s Blessing.” *The Wall Street Journal Eastern Edition*, 13 Nov. 2006, B11; Wuwei Li. *How Creativity Is Changing China*. London, England: Bloomsbury Academic, 2011.

⁴²⁷ Anthony Y. H. Fung. *Global Capital, Local Culture: Localization of Transnational Media Corporations in China*. New York, NY: Peter Lang, 2008; S L. Linda. “In Search of Excellence - Google Vs Baidu.” *World Academy of Science, Engineering and Technology*, vol. 60, 2009, pp. 1108-1111.

⁴²⁸ Kin F. Li. *A Formal Approach to Evaluate and Compare Internet Search Engines: A Case Study on Searching the Chinese Web*. Asia-Pacific Web Conference, 2005; Junhong Fan. “The Copyright Liability Concerns for The China Mainland Search Engine: A Study on The Case of Baidu.” Beijing: Shangwu Press, 2006.

⁴²⁹ Hekkawa Hiromoto “Ya Miao Zhu Zhang Gei Shu Zi Yin Yue Dai Lai De Xi You Can Ban.” *Vip Chinese*, vol. 1, 2008, pp. 9-13.

⁴³⁰ Knowledge@Wharton. “Digital Music publishing in China.” 2006. www.knowledgeatwharton.com.cn/article/755. Accessed 21 May. 2018.

⁴³¹ Wen Jin. “Qian Lun Zhong Guo Shu Zi Yin Yue Chan Ye Fa Zhan Zhi Lu.” *Journal of Jiangxi University of Finance*, vol. 2, no. 1, 2010, pp. 7-6.

⁴³² John Fangjun Li. “The Development of The Digital Music Industry in China During the First Decade of the 21st Century With Particular Regard to Industrial Convergence.” *International Journal of Music Business Research*, vol. 2, no. 1, 2013, pp. 63-86.

⁴³³ Na Liu. “Tai He Mai Tian Shu Zi Yin Yue Xin Rui Shi Yan Shi.” *Film Weekly*, vol. 1, no. 3, 2013, pp. 74-85.

successful direct sale of Digital Music model could not emerge in 2005.

The successful model of ringtone sale and the frustrated model of the direct sale of Digital Music suddenly tightened the Digital Music Industry chain comprising of the record companies, Service Provider (SP) and Internet operators. These companies realised that if they intended to achieve a win-win situation or wanted to maximise their interests, it would be necessary to integrate music, cable downloading, and wireless downloading and would need their distribution channels and production process. Traditional record companies who used to release a song without their SPs used to make 15% profit margins.⁴³⁴ However, the SP could make 30%-35% profit margins relying on the wireless channels (China Unicom, China Mobile and China Telecommunications were in the monopoly position) to release music. SP had no content for producing music. Consequently, the record companies who were content providers (CP), began to involve SP and Internet industry to simplify the sale links of industrial chains. Meanwhile, SP and Internet companies turned to content production be able to produce original music. More importantly, they expanded profit margins for Digital Music and drove the rapid development of the industry. In short, it was an integration of SP and CP.

During the year 2005, several music services, including A8 also attempted to apply an iTunes-style model in China.⁴³⁵ A8 charged a reasonable price of 0.5 yuan for a song. Further, A8 also introduced a 15-yuan monthly subscription service and even set up an original music platform by hiring musicians to sell music directly to consumers.⁴³⁶ This was a very good music sales model but unfortunately could not adapt to the piracy dominated Chinese environment. Meanwhile, 9sky also started to charge for both streaming and downloading services but stopped

⁴³⁴ Yu Xiang. "Lun Shu Zi Yin Yue Ji Zai Xian Yin Yue De Shang Ye Mo Shi." *Network Guide*, vol. 1, no. 3, 2012, pp. 74-86.

⁴³⁵ PR Newswire. "Shanda and Universal Music Team Up to Launch a New Digital Entertainment Service to Music Consumers in China." *PR Newswire*, 13 Apr. 2005; PR Newswire. "Tom Online, Intel Launch China's First I-Cafe Music Studio Partnership to Leverage Tom Online's "Wanleba" Digital Music Platform." *PR Newswire*, Nov 29, 2005.

⁴³⁶ Sina Tech. "Music supermarket from A8 Music." 2006. tech.sina.com.cn/i/2006-02-15/0728841128.shtml. Accessed 21 May. 2018.

charging for streaming later. However, after the failure of efforts to influence, A8 and 9sky stopped charging the users and turned to advertising in the year 2006.⁴³⁷ It appears that China's iTunes always had ambitions to be pioneers in the field of Digital Music media. However, no company could copy the mythical model of iTunes in China because of specific market characteristics. Moreover, China's Digital Music Industry was stepping forward on a SP and CP fusion growth path at that time. It indicates that Digital Music can be suggested as being similar to other economic development modes having encountered several conflicts while being on the path of development with a likely vertical and horizontal convergence among industries and this kind of phenomenon will be explained in the later section. A few years ago, the music and mobile communication were two unrelated and independent fields, but with the widespread use of Ringtones, mobile ringing, full track music downloads, in mobile communication networks, the combination of Digital Music and mobile communication revitalised China's Digital Music Industry.

In 2006, the CEO of the International Federation of Phonographic Industries (IFPI), John Kennedy, addressed the International Forum on the audio-visual industry in Shanghai, stating: "Illegal sales of music in China are valued by the IFPI at around 400 million U.S. dollars, with around 90% of all recordings being illegal. No creative or knowledge-based industry can hope to survive in such an environment."⁴³⁸ Consequently, China's Digital Music Industry needed to find a new path to develop. Meanwhile, A8 announced it was now offering several hundred thousand songs to 3000 music sites in China in order to build the largest legitimate Chinese music network alliance.⁴³⁹ A huge sum of money was spent by A8 and four International

⁴³⁷ Minmei Jiang. *New Rhythm "for Digital Music*. Internet Weekly, Beijing: Chinese Academy of Sciences Press, 2006; Z. Mao, and X. Ning. "The Study of Industrial Convergence in China's Music Industry." *Reform and Opening-up*, vol. 1, 2007, pp. 25-27; Guy Morrow and Fangjun Li. "The Chinese music industries: Top down in the bottom-up age." *Business innovation and disruption in the music industry*, vol. 1, 2016, pp. 133-152.

⁴³⁸ Herb Thompson. "China's Creative Industries: Copyright, Social Network Markets and the Business of Culture in a Digital Age." *Journal of Contemporary Asia*, vol. 41, no. 3, 2011, pp. 510-512.

⁴³⁹ PR Newswire. "Coding Technologies Partners with A8 to Push Mobile Music Services in China." *PR Newswire*, May 23, 2006; Steve McClure. "Windfall behind the Wall: In China, A Year of Mobile Growth, Piracy Battles, And Embracing A Music-hungry Billion-plus Market. (The Year in Music & Touring 2006: EAST ASIA)." *Billboard*, vol. 118, no. 51, 2006, pp. 40.

recording companies to purchase the licenses of albums available at music sites. A8 went through the “wholesale” style copyright purchase to reduce the cost of downloading and attempted to figure out a way out of a stalemate of the legitimate music download sales.⁴⁴⁰ The music website “top100.cn” (JUJINGWANG), fully licensed, backed by Yao Ming, went online.⁴⁴¹ This was the first coalition for superstar and Digital Music in China and attracted some attention and investment by an international company.⁴⁴² The cooperating recording companies, listed on the site of “top100.cn”, numbered over 50 and all were famous domestic and overseas recording companies. From the scale of this development, it can be suggested to happen for the first time that so many recording companies signed an agreement with a music platform network in China.

Meanwhile, while attempting to build a full-fledged web service, the QQ company put in service the instant messaging product and started.⁴⁴³ The subscription-based premium offer, which was termed as QQ membership, was the business model that brought Tencent its first income. QQ Music membership was just one of over twenty packages, covering an offer range from games to online storage. Such a digital platform developed a large user base and began to influence Digital Music.⁴⁴⁴ It compellingly influenced the music industry and benefited simultaneously; both by bundling the products and by the rapid development of its Digital Music platform. QQ Music subscription was for ten yuan a month, offering high-quality music download and other services—for instance, music could have been used as background music in Q-zone, a Facebook-

⁴⁴⁰ Weiwei Chen. “Yi Dong Hu Lian Cui Sheng Shu Zi Yin Yue Ying Yong.” *Longyuan Electronic Journal*, vol. 0307, 2011, pp. 225-240.

⁴⁴¹ Crunchbase. “Top100.cn.” www.crunchbase.com/organisation/top100-cn#section-overview; JP Mangalindan. “Yao Ming’s Business Empire.” 2012. www.fortunechina.com/business/c/2012-06/26/content_104985.htm. Accessed 21 May. 2018.

⁴⁴² China.org.cn. “The Fallen Top100.cn.” www.putclub.com/html/dailyfocus/economy/20130607/71579.html. Accessed 21 May. 2018.

⁴⁴³ Tencent launched QQ Music with a subscription-based premium service, Green Diamond in 2006. Jane Wu, and Terrill Frantz. “Largest IM Platform in China - Tencent’s QQ.” *Journal of Business Case Studies (Online)*, vol. 8, no. 1, 2012, pp. 95; Fan Dong. “Controlling the Internet in China.” *Convergence*, vol. 18, no. 4, 2012, pp. 403-25. Wikipedia. “Tencent QQ.” en.wikipedia.org/wiki/Tencent_QQ. Accessed 21 May. 2018.

⁴⁴⁴ Tao Zhou, and Yaobin Lu. “Examining mobile instant messaging user loyalty from the perspectives of network externalities and flow experience.” *Computers in Human Behavior*, vol. 27, no. 2, 2011, pp. 883-889; Mengyu Luo. *Shaping Music Consumption in China’s New Media Era: Use, Exchange, and Identity*. New Media and Chinese Society. Springer, Singapore, vol. 1, 2017, pp. 239-254.

like social media network under Tencent or this digital platform made it possible to send the songs as gifts to contacts on QQ Instant Messaging. Tencent shared revenues, earned through payments by users and advertising, with copyright providers. It is one of the few Digital Music platforms to have a profitable starting phase in China. According to interview 18, “QQ insists on users as the main focus, encourages people to share music through the social network, further strengthens users' social attributes, and gathering potential consumer groups.”⁴⁴⁵ It demonstrates a sign that China’s mobile music market gradually started to standardise in an orderly manner. The Chinese consumer accepted wireless music downloads and online business. However, in the year 2007, China’s Digital Music Industry had legal music download revenue of only six to seven million yuan, with four to five million subscribers in 2007.⁴⁴⁶ Due to the unsolved issues of copyright and high copyright prepaid payments by the big four brands, the first batch of Chinese Digital Music websites was operating at a net loss. Zero profit by most of the companies negatively impacted the market.⁴⁴⁷ Accordingly, it promoted a business model which permitted free downloading with revenue generation through advertisement in China’s Digital Music Industry.

At this time, QQ Music promoted other value-added services from its platform, adding more users and premium service subscribers. From 2008, services like the online album debut, online shows and ticket sales were added onto the platform.⁴⁴⁸ Subscribers had the privilege of buying concert tickets in advance at a discounted rate. QQ Music even started organising live concerts and events.⁴⁴⁹ Such diversified services not only attracted new users but also consolidated the

⁴⁴⁵ Anonymous. Interview No.19. 29 Oct. 2016

⁴⁴⁶ iResearch. “China’s Digital Music report 2007.” report.iresearch.cn/report/200708/1052.shtml. Accessed 21 May. 2018; IFPI. “Digital Music report 07.” www.ifpi.org/content/library/digital-music-report-2007.pdf. Accessed 21 May. 2018.

⁴⁴⁷ Wireless News. “Research and Markets Report Assesses the Development of the Music Phone Market in China.” *Wireless News*, 28 Aug. 2007; Zhang Li. “Annual Report on the Digital Publishing Industry in China: 2007–2008.” *Publishing Research Quarterly*, vol. 26, no. 1, 2010, pp. 51-58; Jiarui Liu. “The Tough Reality of Copyright Piracy: A Case Study of The Music Industry in China [Diamond].” *Cardozo Arts and Entertainment Law Journal*, vol. 27, 2010, pp. 621-737; Michael Keane, and Edward Elgar Publishing. *Handbook of Cultural and Creative Industries in China*. Northampton, MA: Edward Elgar, 2016.

⁴⁴⁸ Zhong Zheng. “Shei Neng Zhan Ling Shu Zi Yin Yue Ping Tai.” *Internet Weekly*, vol. 2, no. 3, 2009, pp. 94-136.

⁴⁴⁹ Zi Lin. “Zhong Guo Dian Xin Ting Jin Shu Zi Yin Yue Shi Chang, Tui Chu Ai Yin Yue Quan Xin Pin Pai.” *Information Times*, vol. 1, no. 2, 2007, pp. 37-45.

existing user base for QQ Music.

In the meanwhile, Xiami was founded by a team of engineers from Alibaba. The business model developed by Xiami was based on peer-to-peer (P2P) file-sharing.⁴⁵⁰ Xiami put in place a new download payment model. It was what appeared to be a perfect tripartite benefit pattern as such users, who uploaded the music, also got the reward. The website focused on marketing/promotion content and copyright owners benefited by virtue of promotion of paid downloads. Xiami made it possible to upload MP3 files by any user — no matter from where they had it — for others to download it. But it did not offer free downloads as one download cost 0.8 yuan. This model was based on revenue sharing which 0.4 yuan was supposed to go to copyright holders, 0.2 to the content provider and 0.2 to Xiami.⁴⁵¹ Users were offered rebates on the promotion of songs. For instance, a user earned 0.1 yuan when anyone downloaded a song from a list built by him/her and all such transactions involved Xiami's virtual currency. Wang Hao, one of the founders and CEO of Xiami, expected this model to encourage the users for more frequent use of avoiding other free music sites at the same time.⁴⁵² He also expected copyright holders to be happy, as they would get a dividend from every download of their music.⁴⁵³ However, this kind of multilateral mutual reciprocated mode, which was widespread in the online world (similar to the website links which cross-promote each other) could not work in China's Digital Music Industry. No matter how hard Xiami promoted, the fact that revenues earned by the users through downloads were far from convincing the copyright owners that they had not been short-changed and there was no infringement of copyright. Moreover, independent musicians did not appreciate vigorous support from Xiami which offered a way to apply for

⁴⁵⁰ Medium. "The Top 5 Music Streaming Services in China." medium.com/@actallchinatech/screenshot-from-xiami-music-the-top-5-music-streaming-services-in-china-9a0bda889110. Accessed 21 May. 2018; Xiami Official. www.xiami.com. Accessed 21 May. 2018.

⁴⁵¹ Tracey Xiang. "Xiami Story: An Ideal Online Music Model Doesn't Work for Now." 2013. technode.com/2013/01/13/xiami-story-an-ideal-online-music-model. Accessed 21 May. 2018.

⁴⁵² Tracey Xiang. "Xiami Story: An Ideal Online Music Model Doesn't Work for Now." 2013. technode.com/2013/01/13/xiami-story-an-ideal-online-music-model. Accessed 21 May. 2018.

⁴⁵³ Ayishah Ma. "Small fry Xiami has big Online Music Ambitions." 2013. www.ejinsight.com/20131023-xiami-online-music. Accessed 21 May. 2018; Music Business China. "Music Copyright Monopoly Cannot Achieve to Payment Model." 2015. chinamusicbusinessnews.com/?p=541. Accessed 21 May. 2018.

copyright compensation. Broadly speaking, musicians in China were in favour of banning piracy which is more straightforward than taking the initiative to apply for copyright compensation. Xiami were unable to process their ideas to cultivate a habit of paying for music in the end. The lesson learned is that if brands want to improve consumer habits, it is required to be done in small steps owing to specific characteristics of the Chinese market.

From 2009, “top100.cn” with support from Google China, able to managed to convince the Big Four labels and most of the Chinese independent labels to join their alliance.⁴⁵⁴ “top100.cn” offered free downloads including DRM (digital-rights-managed) music through Google China’s music search which provided users with free, legal access to high-quality music bby promising to share advertising revenues.⁴⁵⁵ At that time, China was the only place on the global stage where Google launched this service.⁴⁵⁶ Kai-Fu Lee, Vice President of Google Inc., President of Google China, said, “Ensuring that consumers have access to legal sources of music is the foundation for developing of Google Music Search.”⁴⁵⁷ The model created by Google with “top100.cn” and their partners was a win-win situation for users, recording artists, and the music industry. This model also allowed Google and “top100.cn” to use full of their strengths to help the creation of a sustainable and healthy business environment for China’s Digital Music network. Accordingly, Google Music Search received strong support from across the music industry and the presence of leaders of music industry at the launch was viewed as a token of support from the Chinese

⁴⁵⁴ Ren Peng. “Jue Jin Shu Zi Yin Yue.” *Century Business Review*, vol. 2, no. 3, 2010, pp. 157-168.

⁴⁵⁵ Telegraph staff. “Google Teams up with Top100.cn to tap Chinese Music Market” 2008. www.telegraph.co.uk/finance/newsbysector/retailandconsumer/2794329/Google-teams-up-with-Top100.cn-to-tap-Chinese-music-market.html. Accessed 21 May. 2018; Wang Xing. “Google logs into free music search in China.” 2009. www.chinadaily.com.cn/china/2009-03/31/content_7632541.htm. Accessed 21 May. 2018; Jiarui Liu. *The Tough Reality of Copyright Piracy: A Case Study of the Music Industry in China*. 2009.

⁴⁵⁶ Steven Musil. “Google offers Free Music Search in China.” 2008. www.cnet.com/uk/news/google-offers-free-music-search-in-china. Accessed 21 May. 2018; Billboard. “Google Launches Free, Legal Music Downloads In China.” 2009. www.billboard.com/biz/articles/news/global/1272570/google-launches-free-legal-music-downloads-in-china. Accessed 21 May. 2018; Justine Lau. “A history of Google in China.” 2010. ig-legacy.ft.com/content/faf86fbc-0009-11df-8626-00144feabdc0#axzz59NkzqcJ7. Accessed 21 May. 2018.

⁴⁵⁷ IFPI. “Google and Top100 Launch Google Music Search.” 2008. www.ifpi.org/content/library/google-press-release-march09.pdf. Accessed 21 May. 2018.

music industry.⁴⁵⁸ They were delighted that China had a model now that could reward musicians and could promote online music. Moreover, they believed that, while meeting the demands of music netizens, it would also create a long-term and healthy environment, and would create momentum for the advancement of legal Digital Music Industry in China. Chinese users, however, had developed habits of enjoying music for free and complete reliance on revenues, generated through advertisements and page views, was unable to create profits to support Digital Music websites. According to interview 16, “Western strategic management theories can interpret the changes in the Chinese market in terms of methods. Theories cannot be effectively applied due to the complicated reasons for the changes and difficult to explain in a cross-culture context”.⁴⁵⁹ “top100.cn” is a failed model, although it has injected new vitality into China's digital music market.

From 2004 to 2009, for Internet users, the best way to enjoy music was to rely on the search engine “Baidu MP3” in China.⁴⁶⁰ Professional music websites had better services with a more comprehensive music library; however, this was not the case in China.⁴⁶¹ It is of worth to analyse why the Digital Music Industry worked differently in China during the same time span. Between 2004 and 2009, it was quite troublesome to ensure the copyright payment of music being downloaded from website.⁴⁶² Legitimate music websites required to negotiate with record

⁴⁵⁸ Those who attended included: Lachie Rutherford, President of Warner Music Asia Pacific and President of IFPI; Qu Jingming, president of MCSC; Wang Ju, Executive Vice-President of the Chinese Audio-Video Association; Sunny Chang, Managing Director, Universal Music Greater China; Adam Tsuei, President of Sony Music Greater China; Caroline Chow Vice President of Commercial Development, South-East Asia and Greater China, EMI Music South-East Asia and representative from Typhoon Group; Zhao Daxin, President of the China Music Industry committee and Susanna Ng Regional Managing Director of EMI Music Publishing Asia. Furthermore, hundreds of record companies and music publishers attended the launch including JVR, HIM, HOM, EE Media, R2G, Linfair and Ocean Butterfly. Stars present at the conference included Jolin Cai, Jam Hsiao, F. I.R., Jacky Xue, Rachel Liang, Huang Yida and AOK.

⁴⁵⁹ See from Interview 16 in Appendices.

⁴⁶⁰ Rong Wang. “Wang Shang Shu Zi Yin Yue Shi Chang Yun Han Da Shang Ji.” *Sound Screen World*, vol. 02, 2012, pp. 34-51.

⁴⁶¹ Jianhong Fan. “The Copyright Liability Concerns for the China Mainland Search Engine: A Study on the Case of Baidu.” *IP Research*, vol. 1, 2006. pp. 17; Qian Wang. “Is Downloading of Pirated Content for Private Purposes a Copyright Infringement in China.” *J. Copyright Soc’y USA*, vol. 57, 2009, pp. 655.

⁴⁶² Patrick Frater, and Masson, Gordon. “China Digital Dance; EMI, Baidu Bow Online Streaming Service” *Daily Variety*, vol. 294, no. 14, 2007, pp. 10; August Zhang, and Landy Jiang. “Beijing Court Rules Yahoo! China’s Music Service Liable for Copyright Infringement.” *Journal of Intellectual Property Law & Practice*, vol. 3, no. 6, 2008, pp. 358-59.

companies and there was a delay in uploading of new songs. Consequently, legitimate music websites were unable to catch up with the market owing to their inability to catch up with the latest songs thus used to have incomplete music libraries. In contrast, Piracy music websites, having pirated stuff, had the most comprehensive music library and always uploaded new songs quickly but, even then, such websites were lagging behind “Baidu MP3”. In fact, “Baidu MP3” could provide any music users desired quickly and conveniently.⁴⁶³ However, legitimate music websites and music websites with pirated stuff were unable to collect music from all countries on their websites. In other words, search engines proved themselves a better source from the perspective of better user experience in comparison with music websites. Search features are a key application in the Digital Music Industry and the lack of a good search engine hindered its development in China.⁴⁶⁴

Before the year 2010, the Digital Music users who used download services for listening to music, were in a majority, while the online listeners were in a minority.⁴⁶⁵ Meanwhile, music repeatedly adapted to such characteristics of the product users which they wanted to feel and hear. This was one of the main reasons which enabled the sale of music as a commodity.⁴⁶⁶ Accordingly, music websites providing online free trial services were unable to satisfy the demands of consumers without a download function. Such users who have preference of listening to music-on-music websites, have no clear purpose and are just like those watching TV for recreation. As such, without further technical innovation on online music websites, to offer more targeted services in accordance with preferences of music listeners, it is not easy to develop the Digital Music

⁴⁶³ Wang Wang. “Nuo Ji Ya Yu Ji Shu Zi Yin Yue 2010 Nian Jiang Zhan Shi Chang Ban Bian Tian.” *Audiovisual Technologies*, vol. 1, 2008, pp. 7-16.

⁴⁶⁴ Xiang Zhang. “Shu Zi Yin Yue De Mei Li.” *Performing Arts Technology*, vol. 3, no. 2, 2010, pp. 67-86.

⁴⁶⁵ IFPI. “Digital Music report 2009.” www.ifpi.org/content/library/DMR2009.pdf. Accessed 21 May. 2018.

⁴⁶⁶ Michael Talbot. *The Business of Music*. Liverpool, Merseyside: Liverpool University Press, 2002; Steve Moore. *The Truth About the Music Business: A Grassroots Business and Legal Guide*. Boston, MA: Thomson Course Technology, 2005; Mike King, and Jonathan Feist. *Music Marketing: Press, Promotion, Distribution, and Retail*. Boston, MA: Berklee Press, 2009; Steve Gordon. *The Future of the Music Business: How to Succeed with the New Digital Technologies: A Guide for Artists and Entrepreneurs*. 2015.

Industry in China having a great trend of piracy.

In 2009, China's Ministry of Culture issued a document which put in place the precise requirements for the strengthening of online music censorship and regulation of the online music business.⁴⁶⁷ The new rules released by China's Ministry of Culture were conducive for standardisation of the Digital Music market. It emphasised that music copyright is an essential resource for music creation enterprises (songwriters, record companies, copyright management organisations).⁴⁶⁸ Royalty income is a direct way for music companies to make up the cost of production. This document could have proved beneficial to an organised Digital Music market but made little impact on the Digital Music Market of China, which was abundantly occupied with illegal music services. Piracy in China's Digital Music market was still rampant and record companies and SP had many legal disputes over copyright issues. The document released by China's Ministry of Culture provided online music operators with a more equitable, normative environment for competition leading to the sustained, healthy development of the Digital Music Industry. However, since Digital Music copyright transactions were opaque, even though the whole industry's value was increasing, CP income did not improve. For instance, China's Digital Music market income reached 30 billion yuan in 2009, the operators (China Telecom, China Mobile and China Unicom) took 94% of income, SP took 4%-5% of income and

⁴⁶⁷ China Ministry of Culture Official. "Notice of the Ministry of Culture on Strengthening and Improving the Censorship of Music." 2009. zwgk.mcprc.gov.cn/auto255/200909/t20090903_465661.html. Accessed 21 May. 2018; See also in, Tian T. Zhang, and Richard D. Taylor. *Examining Copyright Regimes in China's Digital Music Industry: History, Challenges and New Models*. University Park, PA: Pennsylvania State University, 2012; Michael Keane. *Handbook of Cultural and Creative Industries in China*. Northampton, MA: Edward Elgar Publishing, Inc, 2016.

⁴⁶⁸ China Ministry of Culture Official. "Notice of the Ministry of Culture on Strengthening and Improving the Censorship of Music." 2009. zwgk.mcprc.gov.cn/auto255/200909/t20090903_465661.html. Accessed 21 May. 2018.

music content providers just took less than 1%, making a strange, deformed industrial chain.⁴⁶⁹ China's operators were powerful in this regard so that the CP remained in a passive position while being in cooperation. It may also have indicated that industry convergence was inevitable in China's Digital Music Industry and it will be discussed in the later section.

In short, in this phase, the Digital Music market in China showed rapid growth, types of Digital Music service became rich and Digital Music technology gradually started to finalise the designed shape. Accordingly, Digital Music marketing became more refined with more overcome of barriers for entry into the Digital Music Industry. Market characteristics became clear. The long-term prospects in copyright issues had been solved and piracy, to some extent, was brought under control. This enabled China's Digital Music market to move into a healthy development process.

4.1.3 Mature Phase (From 2010) : Nurturing Consumer's Behaviours and Exploring a Variety of Paid Services.

With the improved regulations, problems in China's Digital Music market began to ease off in

⁴⁶⁹ IFPI. "Digital Music report 2009." www.ifpi.org/content/library/DMR2009.pdf. Accessed 21 May. 2018; iResearch. "Digital Music report 2009." www.iresearch.com.cn/report/1325.html. Accessed 21 May. 2018; CP took at least 15% of income in a normal Digital Music chain. See in, William Sloan Coats, Vickie L. Feeman, John G. Given, and Heather D. Rafter. "Legal and Business Issues in The Digital Distribution Of Music: Streaming Into The Future: Music And Video Online." *Loyola of Los Angeles Entertainment Law Review*, vol. 20, 2000, pp. 285-633; S M. Cherry. "Making Music Pay [Digital Music Distribution]." *Spectrum, IEEE*, vol. 38, no. 10, 2001, pp. 41-46; Eric Pfanner. "Music Industry Imitates Digital Pirates to Turn a Profit." *The New York Times*, 19 Jan. 2009, B6; Kalliopi Tzantzara, and Anastasios Economides. "Gender Differences in Digital Music Distribution Methods." *Peer-to-Peer Networking and Applications*, vol. 3, no. 2, 2010, pp. 161-71; Andrew K. Gonsalves. "Digital Music Distribution." *The Licensing Journal*, vol. 35, no. 3, 2015, pp. 20.

early 2010.⁴⁷⁰ However, the music industry is a business whose success depends on certainty in the legal environment and on implementation of copyright law. The development of Digital Music in China can be linked to the Government's initiative through policy formulation in this regard.⁴⁷¹ Once the rules were fixed, it was anticipated that the development in future should be aligned to a straightforward trajectory. China's Digital Music Industry did not respond to a single strategy on this phase, but it encompassed a comprehensive, multi-pronged approach.⁴⁷² It included: consumer education on copyright and the value of music; working with law enforcement agencies to tackle the issue of online piracy; litigation against online pirate services and engaging with legislators to create an environment within which the music sector could develop.⁴⁷³ Broadly speaking, China's Digital Music Industry began to nurture

⁴⁷⁰ iResearch. "Digital Music report 2009-2010." www.iresearch.com.cn/report/1325.html. Accessed 21 May. 2018; Steven Masur. *MasurLaw*. "A Worldwide Survey of the Law of Collective Rights Licensing edited." 2015. collectiverights.org/njlk-jm. Accessed 21 May. 2018; Business Wire. "Research and Markets: China Digital Music Forecast 2010-2014: Retail Revenue in China's Digital Music Market to Reach \$858M in 2014." *Business Wire*, Oct 13, 2010.

⁴⁷¹ In China, when the government is aware of the problems in the industrial structure, and through macro-control, that is, some policy adjustments, improve the market environment, drive the production of new productivity, and stimulate the relevant development of management theory. See from examples, Business Wire. "Government Policy Spawning Digital Cable Set Top Box Boom in China Reports In-Stat." *Business Wire*, Nov 27, 2006; Lucy Montgomery. "Space to Grow: Copyright, Cultural Policy and Commercially-focused Music in China." *Chinese Journal of Communication*, vol. 2, no. 1, 2009, pp. 36-49; Xianrong Huang, and Ting Hao. "System of Digital Publishing Policies and Regulations in China." *Library Hi Tech*, vol. 32, no. 3, 2014, pp. 397-40; Michael Keane, and Edward Elgar Publishing. *Handbook of Cultural and Creative Industries in China*. Northampton, MA: Edward Elgar, 2016.

⁴⁷² However, according to interview 10, "the industry develops fast, yet institutional building falls behind". It is also a phenomenon in which industry management lags behind the development. Because concrete solutions cannot be established, Chinese Digital Music Industry has to continue to work hard in the general direction. According to interview 10, "The industry develops fast, yet institutional building falls behind".

⁴⁷³ Fangjun Li, Guy Morrow, and Diane Hughes. *China's Music Industries: Evolution, Development and Convergence*. 2015; Wai-Chung Ho. *Popular Music, Cultural Politics and Music Education in China*. Florence: Taylor and Francis, 2016; Elena Meyer-Clement. *Party Hegemony and Entrepreneurial Power in China: Institutional Change in the Film and Music Industries*. 2016; Michael Keane, and Edward Elgar Publishing. *Handbook of Cultural and Creative Industries in China*. Northampton, MA: Edward Elgar, 2016.

consumer behaviours and started to explore a feasible business model (Profitable).⁴⁷⁴

2010 was a transition year for “A8 Music”.⁴⁷⁵ The adherence to Wireless Value-Added Services (WVAS) policy restrictions by the mobile operators brought a negative impact on the whole Digital Music Industry.⁴⁷⁶ Most Digital Music companies made a similar choice as of “A8 music” in order to respond to the changes in the industry which resulted due to policies and trends. They further enhanced cooperation with their business partners and streamlined their operations regarding the existing WVAS business to maintain and consolidate their position in the market. During 2010, a preliminary business model for Digital Music in China was formed through several adjustments centring on business-to-business (B2B) music content platform based on User Generated Content (UGC), business-to-customer (B2C) music service, based on music cloud and providing extensive applications, using distribution channels to improve efficiency.⁴⁷⁷

⁴⁷⁴ Addressed the business model in Chapter 3.

⁴⁷⁵ PR Newswire-Asia. “A8 Music 2010 Interim Revenue Increased 23% and Net Profits Decreased 55% Excluding the Impact of Non-Core Items, Net Profits Decreased 2%.” 2010. en.prnasia.com/releases/global/A8_Music_2010_Interim_Revenue_Increased_23_and_Net_Profits_Decreased_55_Excluding_the_Impact_of_Non_Core_Items_Net_Profits_Decreased_2_-35037.shtml. Accessed 21 May. 2018; Marketwire. “A8 Music Deploys Active Strategy to Tackle Transition.” 2011. www.marketwired.com/press-release/a8-music-deploys-active-strategy-to-tackle-transition-1416717.htm. Accessed 21 May. 2018.

⁴⁷⁶ Ying-Feng Kuo, and Shieh-Neng Yen. “Towards an understanding of the behavioral intention to use 3G mobile value-added services.” *Computers in Human Behavior*, vol. 25, no. 1, 2009, pp. 103-110; Ying-Feng Kuo, Chi-Ming Wu, and Wei-Jaw Deng. “The relationships among service quality, perceived value, customer satisfaction, and post-purchase intention in mobile value-added services.” *Computers in human behavior*, vol. 25, no. 1, 2009, pp. 887-896; F. Li. “The development of the Digital Music Industry in China during the first decade of the 21st century with particular regard to industrial convergence.” *International Journal of Music Business Research*, vol. 2, no. 1, 2013, pp. 63-86.

⁴⁷⁷ User-Generated Content (UGC) has been the most important achievement since the birth of the internet, particularly web2.0. It can be said that the development history of the internet is the development history of UGC. The platforms indispensable to our everyday life such as a blog, online forum, online community, and self-media all share the nature of UGC. It is rather difficult to motivate users to produce content for the platform. Yet once a UGC mechanism is established, content production will be set in a virtuous circle. See example from, iResearch. “Digital Music report 2009-2010.” www.iresearch.com.cn/report/1325.html. Accessed 21 May. 2018; Jiarui Liu, “The tough reality of copyright piracy: a case study of the music industry in China.” *Cardozo Arts & Ent. LJ*, vol. 27, 2009, pp. 621.

More importantly, these laid a good foundation for China's Digital Music Industry for transition and further development. One example of transition was how "A8 Music" entered into an agreement with Nokia, for a joint effort for a provision of a revolutionary music service called "Comes with Music" to China's handset users.⁴⁷⁸ This joint venture demonstrated good progress. Music services which had the support of hardware and terminal gained consumers' favour, especially in the Chinese market where the mobile users' base (terminal basic) is one of the biggest wireless terminal markets. "A8 Music" also entered in agreement with Lenovo, a Chinese handset manufacturer in a wish to provide a music service to its handset users.⁴⁷⁹ These successful agreements, between hardware producers and music software providers, laid the foundations for future cooperation with other handset manufacturers. In other words, this was a successful imitation of an aspect of the iTunes model (software combined with hardware) for the Chinese market.

"A8 Music" in cooperation with China Mobile, relied on the very rapid development of its Ringtone Services as the first batch of Digital Music through the integration of software with the

⁴⁷⁸ Loretta Chao. "Nokia Offers Free Music in China; Handset Maker Sets Unrestricted Downloads amid Rivalry from Smartphones." *The Wall Street Journal Eastern Edition*, 09 Apr. 2010, B5; ENP Newswire. "Unlimited Music Download Service Redefines China's Mobile Digital Music Landscape; Nokia's Global Mobile Music Leadership Underlined with Launch of DRM-free Comes with Music -service for Millions of Consumers in China." ENP Newswire, April 9, 2010; Murad Ahmed Technology Reporter. "Nokia Takes on Music Pirates with China Digital Launch." *The Times (London, England)*, 09 Apr. 2010, pp. 47.

⁴⁷⁹ "Research and Markets; The State of the Chinese Mobile Entertainment Market: Taking Advantage of the 3G, Mobile App Stores and Smartphones Revolution." *Drug Week*, 12 Mar. 2010, pp. 52-67; Ruoqian Chen. "A8 Music's Bright Future in the Mobile Music." 2010.

hardware.⁴⁸⁰ It was incorporated in the Guangdong National Music Industrial Base in 2011, since then it distributed over 10,000 UGC (User Generated Content) songs digitally per year.⁴⁸¹ A8 Music boosted China's original music creation, making it a major contributor to the development of China's Digital Music market, having a blend of China's original music.⁴⁸²

"A8 Music" exploited the Digital Music market, although its cooperation with China Mobile and its way of sharing bonuses was unfair and it also exploited Chinese musicians, talking up to 90% of all proceeds.⁴⁸³ "A8 Music" became a state-level high-tech enterprise; a major cultural enterprise in the city of Shenzhen, a cultural industrial base in Shenzhen; a leading self-innovating Shenzhen enterprise and a Shenzhen Municipal Culture technology demonstration enterprise. No public support of Local Government is visible for China's Digital Music Industry prior to 2011.⁴⁸⁴ The company also ranked first in terms of revenue as a music company in the

⁴⁸⁰ PR Newswire. "Reportlinker Adds Mobile Music in China: Making the Right Noises." *PR Newswire*, 13 Jan. 2011; Beijing Modern Business Daily "Music supermarket from A8 Music." 2006. tech.sina.com.cn/i/2006-02-15/0728841128.shtml. Accessed 21 May. 2018; Jialu Chang, Sijing Liu, Huishan Huang, Dayu Qi, and Zhichen Zhao. "Study on Online Music Business Model Innovation Based on Value Chain Theory." *International Conference on Logistics Informatics And Service Sciences*, vol. 1, 2016, pp. 1-6.

⁴⁸¹ Marketwire. "A8 Digital Music Holdings Explores Market to Form Solid Foundation for Transition." 2011. www.marketwired.com/press-release/a8-digital-music-holdings-explores-market-to-form-solid-foundation-for-transition-hkse-0800-1550494.htm. Accessed 21 May. 2018; Wuwei Li, Michael Keane, Hui Li, and Marina Guo. *How Creativity Is Changing China*. London, England: Bloomsbury Academic, 2011.

⁴⁸² Marketwire. "A8 Music Enters Guangdong National Music Industrial Base in Acceleration of China Digital Music." 2011. www.marketwired.com/press-release/a8-music-enters-guangdong-national-music-industrial-base-acceleration-china-digital-hkse-00800-1520986.htm. Accessed 21 May. 2018; John Street, et al. *Copyright and Music Policy in China: A Literature Review*. CREATE, 2015.

⁴⁸³ Wuwei, Li, Michael Keane, Hui Li, and Marina Guo. *How Creativity Is Changing China*. London, England: Bloomsbury Academic, 2011. Keane, Michael, and Edward Elgar Publishing. *Handbook of Cultural and Creative Industries in China*. Northampton, MA: Edward Elgar, 2016. Yang, Liu, Meng Jingjing, and Yang Xu. "China Mobile Profit Model of the Music Industry Chain." *E-Business and E-Government (ICEE), 2011 International Conference on* (2011): 1-3. "Research and Markets: China Online & Mobile Phone Internet Market - Game, Music, Video, Shopping, Travel Booking, Payment, Search Engine, Instant Messaging & IPTV." *Business Wire* 01 June 2010: Business Wire, June 1, 2010. Huang, Jin, and Konrad Tollmar. "Business Models for Mobile Media Services: A Case Study in China Mainland Market." (2012).

⁴⁸⁴ A8 Official website, "A Case of A8 Music in Cultural and Technological integration marketing model." 2013. ici.szu.edu.cn/UploadFile/File/20135231540315408.pdf. Accessed 21 May. 2018; Baidu Baike. "A8 Music" baike.baidu.com/item/A8%E9%9F%B3%E4%B9%90. Accessed 21 May. 2018.

digital entertainment industry being the first company in China listed on the Hong Kong Stock Exchange as a Digital Music-related concept stock.⁴⁸⁵ Simply put, the success of “A8 Music” injected vitality in the Digital Music Industry of China.

China’s Digital Music Industry moved forward in 2011. After years of disputes, “Baidu” signed a deal with One-Stop China, a joint venture between Warner, Universal and Sony BMG.⁴⁸⁶ The matter of China’s Digital Music copyright moved to a new level as China’s largest provider of pirated music (“Baidu MP3”) became a legitimate SP. Andrew Chan, Senior Vice President, responsible for digital and strategic planning, Universal Music China, summarised this scenario by suggesting the Baidu deal as the milestone which changed the whole ecosystem in China.⁴⁸⁷ By this agreement, “Baidu” agreed to remove links to such music websites which had pirated music. In exchange, the major companies made 500,000 titles available (10% in Mandarin and Cantonese) to users of the websites which could be streamed or downloaded without any charge.⁴⁸⁸ “Baidu” paid the royalties to the labels for each time when a song was heard or was downloaded besides payment of percentage on advertising income while creating an opportunity

⁴⁸⁵ A8 Official website, “A8 2011 Annual Results Report.” 2011, www.media-outreach.com/release.php/View/222/A8%E5%85%AC%E4%BD%882011%E5%B9%B4%E6%A5%AD%E7%B8%BE.html?la*****9ng=cn. Accessed 21 May. 2018; See also in, A8 Official website, “The Development of A8 Music.” 2011. ir.a8.com/list_history.asp?y=2011. Accessed 21 May. 2018.

⁴⁸⁶ Kathrin Hille. “Baidu reaches music download deal.” 2011. www.ft.com/content/b8847728-b202-11e0-a06c-00144feabdc0. Accessed 21 May. 2018; Dan Levin. “China’s Biggest Search Engine, Known for Illegal Downloads, Makes Music Deal.” 2011. www.nytimes.com/2011/07/19/technology/baidu-chinas-search-giant-announces-music-licensing-deal.html. Accessed 21 May. 2018; China Music Radar. “Baidu Reaches China Licensing Deal with Universal, Warner, and Sony.” 2011. www.chinamusicradar.com/digital/baidu-reaches-china-licensing-deal-with-universal-warner-and-sony. Accessed 21 May. 2018.

⁴⁸⁷ IFPI. “China: Moving towards paid services.” www.ifpi.org/china.php. Accessed 21 May. 2018.

⁴⁸⁸ Baidu, Inc. “Baidu Reached an Amicable Settlement with Three Major Record Companies.” 2011. www.baiduppc.com/baidu-reached-an-amicable-settlement-with-three-major-record-companies. Accessed 21 May. 2018; Baidu, Inc. “2011 Annual Report.” 2011. media.corporate-ir.net/media_files/IROL/18/188488/2011_AR_BIDU.pdf. Accessed 21 May. 2018; Krishna Jayakar. “The Baidu Music Settlement: A Turning Point for Copyright Reform in China?” *Journal of Information Policy*, vol. 3, 2013, pp. 77-103; Eric Priest. “Copyright Extremophiles: Do Creative Industries Thrive or Just Survive in China’s High-Piracy Environment?” *Harvard Journal of Law & Technology*, vol. 27, 2014, pp. 467-587; Yimei Guo. *Modern China’s Copyright Law and Practice*, 2017.

of publicity for the artists of these major companies.⁴⁸⁹ The year 2011 can be suggested as a landmark year in the development of China's legal Digital Music Industry.

The Chinese government stepped in to honour the commitment of protection of the IP rights showing that the development of the music industry, with legal content, was its major priority.⁴⁹⁰ However, "Baidu" began to accord importance to legitimate music, largely by the volume of page views, from music search supported by other music platforms like "QQ Music".

This proves that a model having free online music while having dependency views on advertising for revenues is not a viable option for Digital Music Industry in China. "Baidu" relied solely on the flow from advertising for its profits. Declining page views make it a necessity to build Baidu's music platform. It was a sign of improvement as regards to progressing environment of China's Digital Music market. It compelled a pirate music SP to opt for being legal.⁴⁹¹ Meanwhile, mainstream music websites in China worked with 15 major record companies to devise an experimental method of setting monthly charges, which would respond to user

⁴⁸⁹ Chun-Shuo Chen, and Terrence A. Maxwell. "Three Decades of Bilateral Copyright Negotiations: China and the United States." *Government Information Quarterly* vol. 27, no. 2, 2010, pp. 196–207; Olivier Richard. "Does the Music Industry in China Have a Future?" 2013. www.inaglobal.fr/en/music/article/does-music-industry-china-have-future. Accessed 21 May. 2018; D. Mathew. "The State of Music Distribution in China." 2015. www.theglobaloutpost.com/archives/62. Accessed 21 May. 2018.

⁴⁹⁰ SIPO (State intellectual property office of the P.R.C). "Wen Jiabao: China has promoted the protection of intellectual property rights as a national strategy." 2010. www.sipo.gov.cn/docs/pub/old/zscqgz/2010/201310/t20131024_849379.html. Accessed 21 May. 2018.

⁴⁹¹ However, according to interview 11, "music consumption in China, records are merely meeting the product needs of musicians, the real revenues come from other channels one cannot profit through selling records. Not only mainland China, but Hong Kong and Tai Wan face the same situation". Promoting genuine copyrights may not necessarily create revenue, but it can cultivate copyright awareness.

requirements and customise different charge levels for various services.⁴⁹² Music websites already had an agreement to introduce a new dual model gradually. It's would-be part-free with a part-charging model. For instance, listeners could have enjoyed listening to online music free of cost but downloading would cost the users about 1 yuan per song. This model was developed to have a monthly subscription fee of 20 yuan also.⁴⁹³

4.2 Status of China's Digital Music Market Today

China remains a music market of enormous untapped potential, with an online user base of 650 million people and a growing number of licensed digital services.⁴⁹⁴ However, an undeveloped culture of paying for music and history of piracy has made progress slow. The market increased in value by 5.6% in 2014, and an increase in streaming revenues facilitated it. There is likely potential for further growth in the years yet to come as labels and services roll out initiatives to establish a paid model for music.⁴⁹⁵

The cause for optimism dates back to 2011, when the major recording companies, through subsidiary One-Stop-China, licensed the music service operated by “Baidu”, the country's

⁴⁹² Business Wire. “Research and Markets: China Digital Music Forecast 2010-2014: Retail Revenue in China's Digital Music Market to Reach \$858M in 2014.” *Business Wire*, Oct 13, 2010; IRCD. “CHINA: China's Internet Music Industry Development to Combat Piracy.” TendersInfo News 13 June 2011; TendersInfo News, June 13, 2011. Researchcyc. “China's Digital Music Industry Investment Analysis Report from 2011 to 2016.” www.chinabgao.com/report/240660.html. Accessed 21 May. 2018; Michael Keane, and Edward Elgar Publishing. *Handbook of Cultural and Creative Industries in China*. Northampton, MA: Edward Elgar, 2016.

⁴⁹³ Addressed in QQ Music Case study in Chapter 6.

⁴⁹⁴ Christie Eliezer. “Enormous Untapped Potential”. 2016. www.themusicnetwork.com/news/chinas-music-market-has-enormous-untapped-potential. Accessed 21 May. 2018; Chen Nan. “China's Music Market Now Marching to a New Beat.” 2017. www.pressreader.com/china/china-daily/20171118/282144996641073. Accessed 21 May. 2018; IFPI. “China: Moving towards paid services.” www.ifpi.org/china.phpS. Accessed 21 May. 2018.

⁴⁹⁵ Michael Keane, and Edward Elgar Publishing. *Handbook of Cultural and Creative Industries in China*. Northampton, MA: Edward Elgar, 2016; Yubo Zhiye, Ltd. “China's Digital Music Industry Investment Analysis Report from 2011 to 2016.” www.chinabgao.com/report/240660.html. Accessed 21 May. 2018; iResearch. “Digital Music report 2016.” wreport.iresearch.cn/uploadfiles/reports/636045457378797979.pdf. Accessed 21 May. 2018.

largest online search engine.⁴⁹⁶ Before this, the only significant source of licensed digital income for copyright holders was ringtones, with the digital market dominated by unlicensed players. Since “Baidu” changed the whole ecosystem of Digital Music market in China, the Government has announced that it is committed to the protection of IP rights and that the development of the music industry is a major priority.⁴⁹⁷

In 2014, after a period of intense activity by several services in an attempt to introduce a paid offer, there was a major consolidation in China’s Digital Music market. Three major Internet companies, “Alibaba”, CMC Asia Group Holdings Limited (CMC) and “Tencent”, have made several acquisitions and have a dominated Digital Music distribution. “Alibaba” operates the “XiaMi”, and CMC acquired the “Kuwo” and “Kugou” music services. These major Internet companies have also started to move to secure licensing deals with major recording companies. Sony and Warner and several leading Taiwanese independent labels signed an agreement with Tencent in 2014.⁴⁹⁸ Taking account of the situation, Stu Bergen, the international president of Warner Recorded Music indicated that the partnership of their company with Tencent was meant to harness the culture to meet with the incredible demand of music in such a part of the world which was undergoing a transition at a very rapid pace.⁴⁹⁹ Warner almost compactly had been

⁴⁹⁶ Yongheng Fu. “A Li Shou Gou Xia Mi Jin Jun Shu Zi Yin Yue.” *Zhejiang Business Monthly*, vol. 3, no. 2, 2013, pp.197-135.

⁴⁹⁷ Anthony De Ritis, Si Si, Tang Diming, and Lyons Robert. “An Ecosystem Lens: Putting China’s Digital Music Industry into Focus.” *Global Media and China*, vol. 1, no. 4, 2016, pp. 350-71; IFPI. “China: Moving towards paid services.” www.ifpi.org/china.php. Accessed 21 May. 2018.

⁴⁹⁸ Robert Cookson. “Warner Music Signs Deal with Tencent to Distribute Content.” 2014. www.ft.com/content/ce5e20a6-6b2e-11e4-be68-00144feabdc0. Accessed 21 May. 2018; Anthony De Ritis, Si, Si, Tang, Diming, and Lyons, Robert. “An Ecosystem Lens: Putting China’s Digital Music Industry into Focus.” *Global Media and China*, vol. 1, no. 4, 2016, pp. 350-71; IFPI. “China: Moving towards paid services.” www.ifpi.org/china.php. Accessed 21 May. 2018.

⁴⁹⁹ IFPI. “Digital Music report 2015.” www.ifpi.org/downloads/Digital-Music-Report-2015.pdf. Accessed 21 May. 2018; IFPI. “China: Moving towards paid services.” www.ifpi.org/china.php. Accessed 21 May. 2018.

engaged with major online music platforms in China, including “Baidu” and the mobile operators. Warner expected to reduce piracy by licensing legitimate music but has achieved a little so far. Copyright issues in the Chinese market are huge and highly complicated, but being in a general agreement with “Tencent”, the professional legal team from “Tencent” took charge for the copyright issues, while letting the Warner put all its efforts into music.⁵⁰⁰ Warner’s goals are to help create a sustainable, legitimate music ecosystem in the Chinese market to ultimately lead towards the encouragement of artists and entrepreneurial investment in China.

These players have continued to operate a number of paid music services, but these have been held back by the ubiquity of free licensed alternatives. The most popular paid-for tier, charging 10 yuan (US\$1.60) per month, is Green Diamond, owned by Tencent, with an estimated three million subscribers.⁵⁰¹ However, on an overall basis, the numbers of subscribers remain low, mainly due to a combination of free licensed offerings and online piracy. In short, the paid model in China can be suggested as a positive development of the Digital Music Industry. It still needs time to attain the level of where development of the Digital Music Industry of China can be termed as a sustainable one. However, the difficulty at the moment is that consumers can still access everything they want and that too for free.

There is optimism also around China’s progress towards joining the 147 other countries that currently have full performance rights. A proposal in its final draft of the amendment of the law

⁵⁰⁰ Ke Chen. “Dang Yin Yue Yu Dao Hu Lian Wang —— Shu Zi Yin Yue Da Bu Kua Ru Shang Ye Shi Dai.” *New Computer Times*, vol. 1, no. 2, 2014, pp. 57-68.

⁵⁰¹ Kaigu Huang. “Bu Fang Jian Li Yi Zhong San Ying De Zai Xian Yin Yue Shou Fei Ji Zhi.” *IT Times*, vol. 2, no. 3, 2015, pp. 97-115.

by the National Copyright Administration of China (NCAC) remains under consideration by the Legislative Affairs Office of the State Council, and it is enacted since in 2017.⁵⁰² A glimpse of the potential offered can be seen in China's karaoke market, with performers and producers currently earning an estimated one hundred and forty million yuan, from the 10 per cent or so of karaoke bars that are currently licensed.⁵⁰³

Due to a round of initiatives in Digital Music copyright issues, taken in 2013, China's digital copyright protection framework considerably advanced. International record companies have gained a firm foothold in China and are looking to increase their ownership and investment in local music. It was illustrated in 2014 by Warner Music's purchase of Gold Typhoon; one of the best known and largest independent record labels of the Greater China Region.⁵⁰⁴ There is no reliable data available on the proportion of local and international repertoire in China. An estimate of the informal industry suggests that Chinese-language music accounts for around 80 per cent of the market, K-Pop and J-Pop for 10 per cent while the remaining 10 per cent goes to the international repertoire.⁵⁰⁵

As expected, free online music providers in mainland China rolled out subscription-based

⁵⁰² IFPI. "China: Moving towards paid services." 2015. www.ifpi.org/china.php. Accessed 21 May. 2018.

⁵⁰³ Music Business Worldwide. "China hiding \$190m Karaoke Goldmine from the Music Biz." 2015. www.musicbusinessworldwide.com/china-hiding-190m-karaoke-goldmine-from-music-biz. Accessed 21 May. 2018.

⁵⁰⁴ Music Business Worldwide. "Arner Acquires China's Gold Typhoon." 2014. www.musicbusinessworldwide.com/warner-acquires-chinas-gold-typhoon. Accessed 21 May. 2018; Catherine Shu. "Warner Music Group And Tencent Strike Deal To Distribute Songs In Mainland China." 2014. techcrunch.com/2014/11/13/warner-music-group-and-tencent. Accessed 21 May. 2018.

⁵⁰⁵ Xiuxing Ruan. "Zhong Guo Shu Zi Yin Yue Hang Ye Mian Lin Xi Pai." *China Business Times*, vol. 5, no. 3, 2014, pp. 399-402.

premium services at the beginning of 2013.⁵⁰⁶ Although Chinese users still had access to pirated Digital Music, the most visited legitimate music services could hardly meet the needs of mainstream users. Even “Baidu”, as noted earlier, the public enemy in Digital Music Industry, established a legitimate music service besides launching a five-yuan monthly subscription. The music industry, which targeted the Chinese market, now finally believe that the change is coming.

Through the dark period of attempts to develop the Chinese music industry, record companies tried all kind of approaches to make money and worked hard to achieve, what initially seemed impossible. It is uncertain whether the premium offerings might finally satisfy the industry, but what is certain is that the previous value chain of the Digital Music Industry in China has changed completely.

4.3 The Early Theoretical Framework of China’s Digital Music Industry

To further examine the development of the Digital Music Industry in China and the influence of industrial convergence on the development of Digital Music Industry during the early 21st century, it is necessary to study and establish a theoretical understanding. This theoretical basis involves two perspectives: definition of Digital Music and the Digital Music Industry at first, and the industrial convergence within the music industry at the second.

⁵⁰⁶ Tracey Xiang. “China Online Music Industry’s 2013 Resolution: Having More Users Pay.” 2013. technode.com/2013/01/27/chinese-online-music-sites-launching-new-paid-services. Accessed 21 May. 2018; Tracey Xiang. “A Brief History of Digital Music in China.” 2013. chinatechnewsletter.com/2013/02/16/digital-music-in-china. Accessed 21 May. 2018.

4.3.1 From Digital Music to the Digital Music Industry

The terms “Digital Music” and the “Digital Music Industry” have sometimes been used interchangeably within the music industry in China due to their similarities. However, they are distinct as the former refers to a form of production, while the latter refers to an industrial structure.⁵⁰⁷ Their similarities and differences can be inferred from their definitions.

Many Western scholars attempt to define Digital Music but few discuss the Digital Music Industry with different meanings such as computer music, music theory and music business.⁵⁰⁸ Cullinan and Oppenheimer define Digital Music as music manipulated by using digital devices, for which it must be converted into a digital signal, or from sound into numbers, modified and then recorded using digital recording software such as compact discs or MP3s.⁵⁰⁹ Chinese researcher, Jin Wei, simply defines Digital Music by describing it as involving music that can be stored and disseminated in a digital form.⁵¹⁰ Stephens defines Digital Music as music digitally constructed and produced using computer software and hardware.⁵¹¹ Moreover, he identified Digital and Non-Digital Music with specific attributes as under:

⁵⁰⁷ Li Wuwei, Michael Keane, Hui Li, and Marina Guo. *How Creativity Is Changing China*. London, England: Bloomsbury Academic, 2011.

⁵⁰⁸ Davis Yen Pan. “Digital audio compression.” *Digital Technical Journal*, vol. 5, no. 2, 1993, pp. 28-40; Edward A. Fox. *Digital Libraries: Implementing Strategies and Sharing Experiences: 8th International Conference on Asian Digital Libraries, Icadl 2005, Bangkok, Thailand, December 12-15*. Berlin: Springer, 2005; Alexa Renee-Marie Stephens. *Atlanta’s Digital Music Industry: Implications for Workforce and Economic Development*. Diss. Georgia Institute of Technology, 2007; Ken C. Pohlmann. *Principles of Digital Audio. 6th ed.* New York, NY: McGraw-Hill/TAB Electronics, 2011. See Also in Chapter 3.

⁵⁰⁹ C. Cullinan, and S. Oppenheimer. “Creating an On-Campus Studio.” *Music Education Technology*, vol. 4, no. 2, 2006, pp. 2.

⁵¹⁰ iResearch. “China Digital Music Research Report.” 2010. doc.mbalib.com/view/ef6b64aec9d3b7a3cfcabd4e3c6b0fd9.html. Accessed 21 May. 2018; ETTAI. “Digital Music in China.” 2010. www.analysys.com.cn/China/Digital/full/1101/11829421. Accessed 21 May. 2018; Baidu Baike. “Digital Music.”

⁵¹¹ Alexa Renee-Marie Stephens. *Atlanta’s Digital Music Industry: Implications for Workforce and Economic Development*. Diss. Georgia Institute of Technology, 2007.

Digital Music: Sound Recording using digital technologies during production; Ringtones; Electronic Music; Computer Music; Digital Sampling; Software usage: MIDI (software), Sequencers, Trackers (cheap); Mixing, filtering, equalisation done on computer; Audio digitising card; Digital Music publishing companies; Online Radio; Digitised musical instruments (including digital synthesisers); Video Game Music.

Not Digital Music: Sound Recording using digital file formatting alone (only saved in MP3); Electromechanical instruments, i.e., Electric guitar music; MIDI alone; all music on CDs is not necessarily digitally produced; Turntables and other DJ equipment that manually produces sound; FM/AM Radio; Analogue musical instruments, like Synthesizers.⁵¹²

Li defines Digital Music as music which involves a digitised form of music production and consumption.⁵¹³ According to Li, Digital Music can be further separated into two major categories: mobile music (wireless Digital Music) and online music (cable music). Then Li identifies certain types of mobile music such as mobile ringtones, polyphonic ringtones, and listening to music by the telecom industry.⁵¹⁴

Generically Rayport, Sviokla and Stephens define the Digital Music business or industry

⁵¹² Jan. Maes, and Marc Vercammen. ed. *Digital Audio Technology: A Guide to CD, MiniDisc, SACD, DVD(A), MP3 and DAT. 4th Ed / Edited*, Oxford, Oxfordshire: Focal, 2001; Leonhard Kusek, Lindsay, Leonhard, Gerd, and Lindsay, Susan Gedutis. *The Future of Music: Manifesto for the Digital Music Revolution*. Boston, MA: Berklee, 2005

⁵¹³ F. Li. "The Development of the Digital Music Industry in China During the first Decade of the 21st Century with Particular Regard to Industrial Convergence." *International Journal of Music Business Research*, vol. 2, no. 1, 2013, pp. 63-86.

⁵¹⁴ S. Li. *The Digital Entertainment Industries*. Sichuan: Sichuan University Press, 2006.

including the subsectors of it, such as online music business and Digital Music business in a similar way. Rayport and Sviokla contend that digital-music-related business can be considered as a major part of the Digital Music Industry that creates value with digital assets which can be re-harvested in an infinite number of transactions.⁵¹⁵

Stephens proposed new categories which constitute a Digital Music Industry. He blends technological innovation, artistic expression, creativity, and information technology management towards the formation of the Digital Music Industry.⁵¹⁶ He also contends that production within this industry relies heavily upon computer technologies that enable users to develop and alter sounds and to create an immense palette of possible innovation. Stephens considers Digital Music within this wider perspective.

ETTAI points out the mobile music industry is an essential subsector of the Digital Music Industry in China.⁵¹⁷ It summarises the mobile music business as one which mainly involves polyphonic ring tones, ringback tones, wireless music clubs, wireless music search, software of mobile users which is a wider set of categories. It also notes that consumers and entertainers

⁵¹⁵ Jeffrey F. Rayport, and John J. Sviokla. *Exploiting the Virtual Value Chain*. Boston, MA: Harvard Business Review, 1995; Jesse C. Bockstedt, Robert J. Kauffman, and Frederick J. Riggins. "The Move to Artist-Led On-Line Music Distribution: A Theory-Based Assessment and Prospects for Structural Changes in the Digital Music Market." *International Journal of Electronic Commerce*. vol. 10, no. 3, 2006, pp. 7-38.

⁵¹⁶ Alexa Renee-Marie Stephens. *Atlanta's Digital Music Industry: Implications for Workforce and Economic Development*. Diss. Georgia Institute of Technology, 2007.

⁵¹⁷ Andra Leurdijk, Otilie Nieuwenhuis, and Jean P. Simon. *Statistical, Ecosystems and Competitiveness Analysis of the Media and Content Industries: The Music Industry*. Luxembourg: Publications Office, 2012; Peter Tschmuck. "A Brief History of China's Music Industry – Part 1: Introduction." 2012. musicbusinessresearch.wordpress.com/2012/12/27/a-brief-history-of-chinas-music-industry-part-1-introduction. Accessed 21 May. 2018; John Fangjun Li. "The development of the Digital Music Industry in China during the first decade of the 21st century with particular regard to industrial convergence." *International Journal of Music Business Research*, vol. 2, no. 1, 2013, pp. 63-86.

obtain mobile music through SMS, MMS, WAP, IVR, WWV.⁵¹⁸

The New Watson International Information Consultation Company discusses the categories and definitions of the Digital Music business/industry.⁵¹⁹ Like Li, it notes that the Digital Music business consists of two major segments: online and mobile. It specifically discusses definitions and business models and methods. According to NWIICC, the online music business model directly makes profits through selling Digital Music, or indirectly makes profits through commercial advertisements but not directly through music.⁵²⁰ Mobile music business is telecommunication driven, and the mobile music business model directly makes profits through paying fees for music download.

In terms of the above definitions of Digital Music and the Digital Music business/industry, online music and the mobile music industry sectors can be defined separately. The online music business and industry are all those activities, related to the music business and industry, that transmit music to personal or company computers and other digital storage facilities directly via the Internet. Mobile music mainly involves the Digital Music business and industry activities that provide Digital Music via mobile value-added services to mobile phone users. It can include ring-tones, alarms, notifications (such as prompt text messages), ringback tones, listening to

⁵¹⁸ ETTAI. "Digital Music in China." 2010. www.analysys.com.cn/China/Digital/full/1101/11829421. Accessed 21 May. 2018; John Fangjun Li. "The development of the Digital Music Industry in China during the first decade of the 21st century with particular regard to industrial convergence." *International Journal of Music Business Research*, vol. 2, no. 1, 2013, pp. 63-86.

⁵¹⁹ New Watson International Information Consultation Company (NWIICC). *The 2008 Report of China's Digital Music Industry*. 2008.

⁵²⁰ New Watson International Information Consultation Company (NWIICC). *The 2008 Report of China's Digital Music Industry*. 2008.

music through telecommunication network, streamed media (also known as “online broadcasting”) and whole song downloads to mobile businesses and services.

4.3.2 Industrial Convergence in the Music Industry

Industrial convergence is an essential factor that influenced the development of the Digital Music Industry in China from the late nineteen-hundreds.⁵²¹ According to Musicbusinessresearch, “industrial convergence” can be defined in the following way: The essence of the connotation of industrial convergence is that information technology and its industries impact other industries to generate a new integrated industry, this new industry contains new industrial properties.⁵²² China’s Digital Music Industry in the 21st century is the result of mutual integration between the music industry (including record industry) and the technology industry (including the computer industry and information technology industries). This phenomenon mainly reflects the border disappearing to become a new and different industry. This convergence does not only add two or more industries, but it is a new division of labour based on integrating original industries. In this case, the digital would not completely replace the traditional record industry but create new business and market segment (cell phone rings, Ringtones, MP3 and wireless music). However, industry convergence represents an unprecedented growth opportunity for an organisation but is also a threat since other companies can absorb the organisation’s core business to fulfil their

⁵²¹ John Fangjun Li. “The development of China’s music industry during the first half of the 20th century.” *Journal of NEO*, vol. 1, 2011, pp. 1-20; Anthony De Ritis, Si, Si, Tang, Diming, and Lyons, Robert. “An Ecosystem Lens: Putting China’s Digital Music Industry into Focus.” *Global Media and China*, vol. 1, no. 4, 2016, pp. 350-71.

⁵²² Musicbusinessresearch. “The Influence and Role of Convergence in the Development of China’s Music Industry.” 2015. musicbusinessresearch.files.wordpress.com/2013/06/li-fangjun-john-the-influence-and-role-of-convergence-on-the-development-of-chinas-music-industry.pdf. Accessed 21 May. 2018.

industry convergence objectives.

Mao, Ning, Zhuang, Li, and Morrow pointed out that digital convergence played an essential role in the development of the music industry in China during this period.⁵²³ Although convergence, particularly industrial convergence, also appeared and influenced the development of the music industry during both the early phase and modern periods, the degree of convergence increased during the current period.⁵²⁴ The generation and development of the music performance industry largely depended on the influence and convergence of other sectors of industry such as dance, literature (including poetry), and drama from early Chinese history.⁵²⁵ Similarly, the generation and development of the recorded music industry also relied mainly on the influence and convergence of the telecommunication and media technologies during the modern period in China.⁵²⁶ Likewise, the Digital Music Industry largely depended on the influence and convergence of the ICT sector (mainly computing, mobile communication and telecommunications) mainly during the early 21st century in China. It redefined industrial boundaries by shifting the focus from individual products to cross-industry value experiences,

⁵²³ Z. Mao, and Ning, X. "The Study of Industrial Convergence in China's Music Industry", *Reform and Opening-up*, vol. 1, 2007, pp. 25-27; Z. Mao, and Zhuang Y. "The Impact of Digital Technology on the Music Industry", *Hundred Schools in Arts*, vol. 6, 2007, pp. 1-17; F. Li, and Morrow, G. *Strategic Leadership in China's Music Industry: A Case Study of the Shanghai Audio Visual Press*, Melbourne, VIC: Tilde University Press, 2012; Guy Morrow, and Li Fangjun. "The Chinese Music Industries: Top Down in the Bottom-Up Age." *DigitalNews*, vol. 1, 2016, pp. 1-17.

⁵²⁴ F. Li, and Guy Morrow. *Strategic Leadership in China's Music Industry: A Case Study of the Shanghai Audio Visual Press*, Melbourne, VIC: Tilde University Press, 2012; Stephanie Hemelryk Donald, Yin Hong, and Michael Keane, eds. *Media in China: Consumption, Content and Crisis*. Routledge, 2014; Fangjun Li, Guy Morrow, and Diane Hughes. *China's Music Industries: Evolution, Development and Convergence*. Nanjing: Nanjing Uni Press, 2015.

⁵²⁵ Rui Li. "Yin Yue Jie Di Er Ci Xin Chao —— Shu Zi Yin Yue Ge Ming Ji Jiang Bao Fa ?." *New Computer*, vol. 1, no. 1, 2011, pp. 17-22; Peifang Li. "Shu Zi Yin Yue Ru He Gai Bian Ni De Xiao Fei Yin Yue De Xi Guan?." *Financial Circles*, vol. 2, no. 2, 2012, pp. 57-65.

⁵²⁶ Chao Wang. "Gao Duan Lun Tan Ju Jiao Shu Zi Yin Yue Ji Shu." *Music Weekly*, vol. 2, no. 2, 2013, pp. 87-98; Na Shi. "Shu Zi Hua Yin Yue Jiao Yu Ji Shu Tan Tao." *Henan Institute Of Education*, vol. 8, no. 5, 2013, pp. 474-482; Yuan Zhuang. "Shi Lun Shu Zi Shi Dai Xin Ji Shu Mei Ti Dui Yin Yue Chuan Bo De Ying Xiang." *Nanjing Arts Institute*, vol. 4, no. 1, 2014, pp. 274-285.

based on digital business principles.

4.3.3 China's Digital Music Industry and Industrial Convergence

The mobile music is an essential part of the development of the Digital Music Industry in China.

The mobile music industry progressed a bit earlier and in a better way in contrast with the online music industry in China as owing to the management of music copyright and issues of piracy in a better way during the early 21st century.⁵²⁷ Therefore, the Digital Music Market is much more about the mobile music market rather than the online music market in China for the time.

Compared to the mobile music market, the online music market encountered serious copyright problems during the early 21st century, as free downloads of music became a common trait of the online music market.⁵²⁸ The revenue streams were extracted through the standard business models, which mostly relied on an online advertisement, being paid for by commercial companies to such websites which permitted music download free of cost.

The market size of China's Digital Music market progressed and increased during the early 21st century, with a major proportion of the total value and market size being taken away by the mobile music market in comparison to the online music market.⁵²⁹ By 2010, the mobile music market and sales accounted for more than 90 per cent of the total Digital Music market and sales

⁵²⁷ Lucy Montgomery. "Online music markets in China: The Broader Picture and the Role of Copyright and DRM." *Indicare Monitor*, vol. 2, no. 9, 2005, pp. 476-539.

⁵²⁸ Ruili Liang. "Liu Xiao Song: Tan Suo Shu Zi Yin Yue De Xian Feng." *Oriental Enterprise Culture Journal*, vol. 1, 2009, pp. 9-12.

⁵²⁹ Yun Zheng. "Zai Xian Shu Zi Yin Yue Fa Zhan Shi Bu Ke Dang." *IT Times*, vol. 2, no. 5, 2009, pp. 137-150.

whereas online music represented less than 10 per cent of the overall Digital Music market.⁵³⁰

With the increasing standardisation of Digital Music market and the inception of new technology (such as 3G), the size of the Digital Music market increased rapidly in China from 2001 to 2010. According to I-research, the market size of Digital Music in China increased from 8 million yuan (approximately 1.23 million US dollars) in 2003 to 27.8 million yuan (nearly 4.21 million US dollars) in 2004.⁵³¹ However, it also points to the skewed market development of online music, which resulted due to the start of mobile music in 2004.⁵³² The size of the online music market shrunk to 10 per cent with more than 90 per cent prevalence of mobile music in the Digital Music Market of China.

Both IFPT and China Science Published Research Institute (CSPRI) substantiated this skewed development of the online music industry and the mobile music industry during the second half of the early 21st century.⁵³³ According to the CSPRI, the value of the mobile/wireless music market was more than 8 billion yuan (approximately 1.17 billion US dollars) in 2007 while the total value of the online music market in the same year was just 120 million yuan (approximately 17.6 million US dollars).⁵³⁴ On the other hand, IFPI reported that China was among the Top 9

⁵³⁰ Cheng Yan. "Wu Xian Yin Yue Sou Suo Rang Zheng Ban Shu Zi Yin Yue Chu Shou Ke Ji." *Communication World*, vol. 2, no. 1, 2011, pp. 37-46.

⁵³¹ Furu Cai. "Wang Luo Mei Ti Shen Xian Si Zai Xian Yin Yue Shou Zhui Peng." *Music Weekly*, vol. 1, no. 2, 2010, pp. 54-58.

⁵³² Lei Zhang. "Zai Xian Yin Yue Shou Fei Wang Min Shi Fou Mai Zhang?." *China Consumer Daily*, vol. 1, 2012, pp. 2-3.

⁵³³ Shin-Il Moon, George A. Barnett, and Yon Soo Lim. "The Structure of International Music Flows using Network Analysis." *New Media & Society*, vol. 12, no. 3, 2010, pp. 379-399; J. Li. "The Development of the Digital Music Industry in China During the First Decade of the 21st Century with Particular Regard to Industrial Convergence." *International Journal of Music Business Research*, vol. 2, no.1, 2013, pp. 63-86.

⁵³⁴ Jiarui Liu. "The Tough Reality of Copyright Piracy: A Case Study of the Music Industry in China." *Cardozo Arts & Ent*, vol. 27, 2009, pp. 621.

digital markets in terms of sales by channel.⁵³⁵ It found that online music represented 27% of the Digital Music Market of China withholding of 73 per cent by the mobile music market. The worth of the mobile market was around 7 billion US dollars annually with record companies estimated to receive less than five per cent of those revenues. This size of the local mobile music market in China can be suggested as the second largest in the world after Japan.⁵³⁶

The mobile music industry developed strongly in China during the 21st century, even if the online music industry did not flourish well during the same period.⁵³⁷ The unbalanced distribution of profits between the mobile music business operators and music owners/music record companies was disadvantageous to the advancement of Digital Music Industry. Despite its limitation, the Digital Music Industry played an essential role in the whole music industry during the early 21st century.⁵³⁸ The music industry of China broadened its reach by integrating itself with several digital and information communication technology industries.

4.4 Systems and Structures in the Digital Music Industry and Major Types of China's Digital Music Businesses

4.4.1 Integrated Systems and Structures

The Digital Music Industry in China is an integrated system. It has a complex structure. The term

⁵³⁵ Zhiping Li. "Qian Tan Dang Qian Wo Guo Shu Zi Yin Yue Chu Ban Ye Xian Zhuang." *Science And Technology Press*, vol. 3, no. 1, 2011, pp. 55-89.

⁵³⁶ En Zhao. "Mao Pu Bao Hu Shu Zi Yin Yue Ban Quan You Xin Zhao." *Copyright In China*, vol. 2, no. 4, 2009, pp. 171-189.

⁵³⁷ Meihua Network Research Institute. "Zhong Guo Yi Dong Yin Yue Shi Chang Shang Ye Mo Shi Guan Cha 2015." 2015. www.q-5.net/article/13883508. Accessed 21 May. 2018.

⁵³⁸ Ge Wang. "Yin Yue Fu Wu Qi Yu Wang Luo Shu Zi Yin Yue Kai Chuang Shu Zi Yin Yue Xin Ji Yuan." *Vip Chinese*, vol. 3, no. 3, 2010, pp. 162-175.

“integrated” refers explicitly to several inter-relating industry sectors such as music, telecommunication and computing. The integrated systems and structures not only shaped China’s Digital Music Industry during the new millennium but also demonstrate the intensive influence of industrial convergence on the music industry, particularly that of the recorded music industry. The service provider and content provider played an essential role in the integrated systems and structures of the Digital Music Industry in China.⁵³⁹ Cornelia Krueger, Nhiem Lu and Paula MC Swatman define SP as “mediator” between music content providers and music users. At the same time, the CP is web-based data hosts that gather a variety of information, music in particular and organise them into electronic databases, with revenue coming from subscription fees.⁵⁴⁰ The SP is generally split into two types: online music and mobile music.⁵⁴¹

The following figures specifically describe them:

⁵³⁹ Youdan Zhang. “San Wang Rong He Shi Dai Shu Zi Yin Yue Da You Ke Wei.” *Big Stage*, vol. 2, no. 3, 2011, pp. 104-109; Youdan Zhang. “San Wang Rong He Shi Dai Shu Zi Yin Yue Da You Ke Wei —— Yi Shen Zhen Yuan Chuang Yin Yue Wei Li.” *Big Stage Times Monthly*, vol. 1, no. 4, 2011, pp. 67-85.

⁵⁴⁰ Cornelia Krueger, Nhiem Lu, and Paula MC Swatman. “Success Factors for Online Music Marketing-eTransformation: from the four P’s to the four C’s.” *COLLECTeR*, 2003.

⁵⁴¹ Qin Liao. “Sp Jie Shu Zi Yin Yue Tu Wei Zhong Su Shang Ye Mo Shi.” *New Wealth*, vol. 1, no. 4, 2008, pp. 97-118.

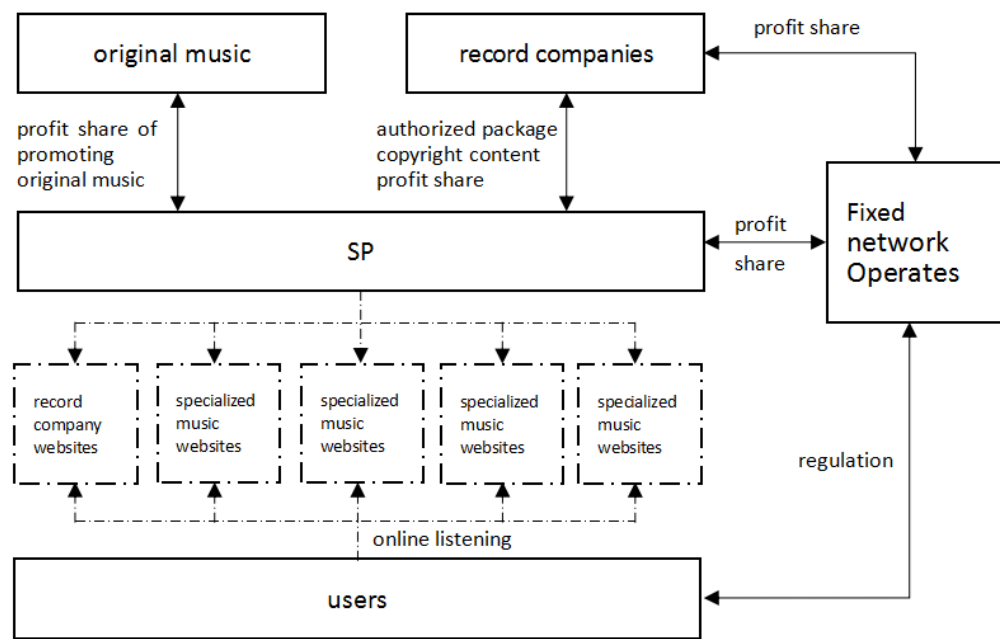


Figure 2. System and structure for China's online music industry-1⁵⁴²

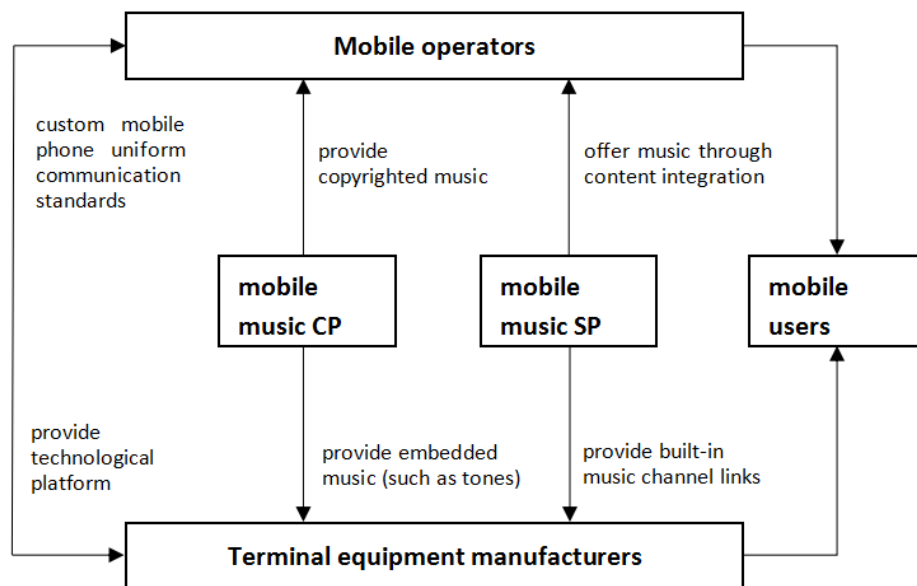


Figure 3. System and structure for China's mobile music industry-2⁵⁴³

⁵⁴² Completed by researcher.

⁵⁴³ Completed by researcher.

In accordance with the above, these two systems and structures indicate that recorded/music business/industry, computing technology business/industry, and telecommunication business/industry integrate into a more extensive music-industry related convergence system. In this system, the SP sometime also played the CP role, and the CP played the SP role. The SP, however, played an essential role in the Digital Music Industry in China during the early 21st century.⁵⁴⁴ To comprehend integrated systems and structures of China's Digital Music Industry during this period, it is necessary to further discuss the different types of SP.

4.4.2 Types of Online Music Business

The online music business SP during the new millennium in China was also an integrated organisation system. There were five types of online music business service providers, as appended below:⁵⁴⁵

Table 1. SPs types-1⁵⁴⁶

SPs types	Representative companies
Record company	Taihe Rye (Taile Wang), Shanghai Synergy Cultural and
	Entertainment (Shanghai Audio Audio-Visual Press and Shanghai Audio Visual Company)
Specialized music web	Wangwa, Jiutian Music Web, A8 Music Supermarket,

⁵⁴⁴ Lei Fang, "Sp He Cp Zai Shu Zi Yin Yue Fen Fei De Zhan Huo Zhong La Qi Shou Lai." *IT Times*, vol. 2, no. 4, 2008, pp. 117-141.

⁵⁴⁵ SPs can be identified within their integrated system: i) record company; ii) professional music web; iii) portal web; iv) music software company; and v) search webs.

⁵⁴⁶ Completed by researcher.

Aiguoazhe (patriot) Music Web	
Portal web	TOM, Sohu, Sina, and QQ
Music software	Kugou (Kugoo)
Search web	Baidu, Yahoo, Zhongsou, and Sougou

“Baidu MP3”, “Jiutian Music Web” and the “Kugou” were the major SP, with “Baidu MP3” the most visited search portal, “Jiutian Music Web” the most visited specialised music website and “Kugou” the most popular music software.⁵⁴⁷ “Kugou” was used for free downloading and listening to music, the reach of its application for free downloading music and listening to music was 68.8% and it was ranked in the first position.⁵⁴⁸

This online music business SP system involves not only the computing technology industry but also the music and record industry as well as the telecommunication industry (like mobile) as the basis of an integrated online music business system.

4.4.2 Types of Mobile Music Business SP

The mobile music business SP played an essential role in the dominance of the mobile music industry in China during the new millennium.⁵⁴⁹ The SP controlled key resources of the Digital Music Industry, such as market access and platforms as well as marketing and promotion

⁵⁴⁷ Xun Jie. “Zai Xian Yin Yue Bai Bu Kua Guo Gong Si.” *Elite Education Network*, vol. 4, no. 2, 2014, pp. 357-360.

⁵⁴⁸ Tong Xue. “Shu Zi Yin Yue Yin Fa De SP Yu CP Zhi Zheng.” *Longyuan Electronic Journal*. 2006.

⁵⁴⁹ Zheng Wang. “Wang Luo Shu Zi Yin Yue Shu Yu Shei?.” *Social Observer*, vol. 3, no. 2, 2010, pp. 247-258.

resources.⁵⁵⁰ Compared to other beneficiaries such as music radio and record companies, the SP was closer to mobile music users, making it easier for them to adjust their strategies on music content provision.⁵⁵¹ In terms of different characteristics of mobile music SP in the mobile music industry, five categories of SP can be identified: a) super-portal web-oriented SP, b) comprehensive professional SP, c) SP with own music resources, d) professional SP with a focus on music services, e) SP with regional advantage, as detailed below.

⁵⁵⁰ “Zhong Guo Shu Zi Yin Yue De Di Yi Chang Pk Zhan Zheng Hua You Shi Ji Vs. Tai He Mai Tian.” *Global Business Classic*, vol. 1, 2008, pp. 47-68.

⁵⁵¹ Qin Wu. “Hua Shuo Yu Zhong Yin Kai Zhan Shu Zi Yin Yue Shi Chang.” *Vip Technology Network*, vol. 1, 2008, pp. 37-51.

Table 2. SPs types-2⁵⁵²

Types of SPs	Representative companies
Super portal web-oriented SPs	Sina, Tom
Comprehensive professional SPs	Zhang Shang Ling Tong (“Lin-tone”), Kong Zhong Wang (“Air Network”)
SPs with own music resources	Rock and Mobile, A8 Music Group
Professional SPs with a focus on music services	Longteng Sunshine, Quan Tian Tong
SPs with regional advantage	Jilin Aike, Yingchun Xunyun

The above-mentioned mobile music SPs were also intensively involved with the music/record industry and computer technology industry, and it can be considered as an integrated music business organisation system during the early 21st century.

4.4.3 Music Record-oriented Company

This type of Digital Music company is mainly based on record companies or cultural and media companies having links with other music business areas, such as online and mobile. Although it concentrates on the traditional industrial processes, such as music production, publishing, and distribution, it also involves the other Digital Music business processes such as online and mobile music distribution. It includes the major companies and business platforms like “Taihe Music Net” and the Taihe Rye Company, the Cloud Music Chain Marketing System Platform of the Shanghai Synergy Culture and Entertainment Group, the Philharmonic Net of the Rock Mobile

⁵⁵² Completed by researcher.

Company.⁵⁵³

Music record-oriented company claims to have transformed from the traditional business model to the newer Digital Music business model to meet the demands of the developing Digital Music Industry during the early 21st century.⁵⁵⁴ This type of Digital Music business firm found it difficult to develop the Digital Music business due to music copyright and unfair profit distribution issues. However, they produced a large amount of music content for the Digital Music Industry and as such, played an essential role in the advancement of Digital Music Industry in China.⁵⁵⁵

The Digital Music business content providers differ slightly from traditional record companies. The CP involved a more comprehensive range of music businesses than conventional record companies. For instance, the “Taihe Rye Company” and “Shanghai Audio-visual Press”, as typical CP, not only involved the business processes such as music production, publishing and physical product (such as CD) distribution but also handled the distribution of online music and

⁵⁵³ Bi Da Consulting. “2015 Nian Shang Ban Nian Zhong Guo Shou Ji Yin Yue App Shi Chang Yan Jiu Bao Gao.” 2015. www.re-chord.net/8185. Accessed 21 May. 2018.

⁵⁵⁴ Linyan Gao. “Shu Zi Yin Yue Vs. Chuan Tong Chang Pian Zai Gong Ping Bo Yi Zhong Cheng Zhang.” *Network Guide*, vol. 1, no. 1, 2011, pp. 3-9.

⁵⁵⁵ Yongtao Huang. “Fu Fei Yin Yue Zhi Si.” *Internet Weekly*, vol. 1, no. 1, 2010, pp. 4-9; Kefei Hu. “Cong Wang Shang Wei Yin Yue Shuo Qi.” *Music Weekly*, vol. 1, no. 2, 2011, pp. 34-40.

mobile music.⁵⁵⁶

The CP often collaborated intensively with both the online and mobile SP such as Telecommunication Operators (TO) to create a value chain in the whole Digital Music Industry.⁵⁵⁷ This collaboration can also be regarded as a typical form of industrial convergence. The CP and SP, SP and TO as well as CP, SP, and TO integrated, attaining a form of industrial convergence between the music industry and the information communication technology sector, and it is continuing till today.⁵⁵⁸

4.4.4 Computing Technology-Oriented Company

This type of computer technology-oriented Digital Music company focuses on Internet technology and business and companies like “Sina Net”, “1ting Music Net”, “Gigantic Whale Net”, “Tencent”, “Tom Online”, “Baidu MP3”, “Wireless Music Stars”, “A8 Music”, “Aigo Music Net”, “Air Net” and “Linktone” can be suggested as computing technology-oriented companies. All these companies played an essential role in the development and advancement of the Digital Music Industry, particularly towards the development and advancement of the

⁵⁵⁶ Xiaofang Ma. “Xie Ba Da Chang Pian Gong Si Zhong Guo Dian Xin Jin Ru Zai Xian Yin Yue Shi Chang.” *First Finance*, vol. 4, no. 2, 2009, pp. 321-323; Li Wang. “2010 Nian Zhong Guo Shu Zi Yin Yue Shi Chang Gui Mo Jiang Da 127 Yi Yuan.” *China Economic Herald*, vol. 2, no. 1, 2014, pp. 102-104; Wei Bai. “Zhong Guo Shu Zi Yin Yue Shi Chang Fa Zhan Zou Xiang De Yu Ce.” *China Culture Daily*, vol. 2, no. 2, 2014, pp. 94-101.

⁵⁵⁷ Wugong Du. “Dian Xin Yun Ying Shang Jing Ying Zai Xian Yin Yue Ye Wu Fen Xi.” *Communication World*, vol. 4, 2011, pp. 70-86.

⁵⁵⁸ Yongtao Huang. “Fu Fei Yin Yue Zhi Si.” *Internet Weekly*, vol. 1, no. 1, 2010, pp. 4-9.

online music industry during the early 21st century in China.⁵⁵⁹

These computer technology-oriented companies usually provide Digital Music business service and production (and can also be thought of both as mobile music SP and online music SP). “A8 Music” is regarded as an online music SP while “Tencent”, and “Air Net” are considered as mobile music SP.⁵⁶⁰

4.4.5 Telecommunication Technology-Oriented Company

This type of Digital Music Company is focused on telecommunication technology and business during the early 21st century and can also be regarded as the Telecommunication Operators. Firms include China Mobile, China Unicom, China Netcom, China Telecom, China Railcom. China Netcom and China Telecom operate fixed-line telephone business while other telecommunication firms, such as the China Mobile and China Unicom mainly operate wireless telecommunication. TO have played an essential role in the mobile music industry.⁵⁶¹

This type of music company also operated a mobile music business and made profits through the personal handset system (PHS).⁵⁶² Although China Unicom, particularly China Mobile, played a leading role in the mobile music industry in China during the last century, other

⁵⁵⁹ Yanshu Wu. “Shu Zi Yin Yue Neng Fou Po Bing Cheng Wei Chang Pian Ye Xin Ying Li Dian?.” *Economic Reference*, vol. 1, no. 4, 2012, pp. 108-115.

⁵⁶⁰ Dagang Feng. “Sp Miao Zhun Shu Zi Yin Yue.” *China E-Commerce Network*, vol. 01, 2007, pp. 140-141.

⁵⁶¹ Chen Liang. “Zhong Guo Yi Dong Mi Gu Yun Zhan Lve : Da Zao Wu Xian Shu Zi Yin Yue Fa Zhan De Xin Mo Shi.” *Communication World*, vol. 2, 2011, pp. 30-38.

⁵⁶² Yanshu Wu. “Shu Zi Yin Yue Neng Fou Po Bing Cheng Wei Chang Pian Ye Xin Ying Li Dian?.” *Economic Reference*, vol. 1, no. 4, 2012, pp. 108-115.

telecommunication technology-oriented firms also contributed an essential part in the Digital Music Industry, particularly in the mobile music industry during the early 21st century.⁵⁶³

4.5 An External Environment Analysis of China's Digital Music Industry

As demonstrated earlier, prior to 2015, the study of management theories from a Chinese perspective is still relatively rare in the academic world.⁵⁶⁴ Meanwhile, the Digital Music Industry began to undertake its initial development in China, as explained in earlier section. In this context, how to align Western management theories with China's Digital Music Industry and how to practice in China is valuable. It is a process of understanding the differences between Chinese and Western logical thinking. This section aims to use PEST to analyse efficient management practice in the Digital Music Industry under the Chinese cultural context, to form a basic framework of the general principles of organisation and management theories.

The primary goal of China's Digital Music Industry is to nurture consumer's consumption habits to ensure that they pay for Digital Music. The secondary objective is to popularise the legal music. China's Digital Music Industry has a remarkable difference with the West if the

⁵⁶³ Chaoli Jin. "Shu Zi Yin Yue Yong Xin Mo Shi Kua Yue Ban Quan Kan." *Beijing Business Daily*, vol. 4, no. 2, 2013, pp. 249-252; Liwen Si. "Shu Zi Yin Yue Shi Chang Xiao Yan Mi Man." *China Enterprise News*, vol. 1, no. 6, 2014, pp. 114-117; WeiboReach. "2015 Yi Dong Yin Yue Ying Yong Pin Pai Ying Xiang Li Bao Gao." 2015. <http://www.re-chord.net/8470>. Accessed 21 May. 2018.

⁵⁶⁴ Lee Chen, Chen, Chao-chuan, and Lee, Yueh-Ting. *Leadership and Management in China: Philosophies, Theories, and Practices*. Cambridge, Cambridgeshire: Cambridge University Press, 2008; Jiahua Zhu, Cherrie. *Human Resource Management in China: Past, Current and Future HR Practices in the Industrial Sector*. London, England: Routledge, 2012; Engelbert Boos, Boos, Christine, and Sieren, Frank. *The China Management Handbook: A Comprehensive Question and Answer Guide to the World's Most Important Emerging Market*. Basingstoke, Hampshire: Palgrave, 2003; Fang Lee Cooke. *Competition, Strategy and Management in China*. Basingstoke, Hampshire: Palgrave Macmillan, 2008; Malcolm Warner. *The Future of Chinese Management*. London, England: Frank Cass, 2003; Harvey Tian, and Slocum. "The Retention of Chinese Managers: The Chinese Puzzle Box." *Organisational Dynamics*, vol. 43, no. 1, 2014, pp. 44-52; Weiwei Wu, Bo Yu, and John- C. Spender. "Domains and Opportunities in Knowledge and Aerospace Management in China." *Chinese Management Studies*. vol. 9, no. 4, 2015, pp. 473-481.

commercial pattern and industrial chain are considered since the Chinese Digital Music Industry is service-based. In contrast, the Western Digital Music Industry is content-based. These differences not only embody the characteristics of China's Digital Music Industry but also necessitate different management approaches. Even though the original construction of Digital Music platforms, around the world is similar, China's music platform has a different attribute due to the free consumption habits developed by rampant piracy for decades. Accordingly, the external factors having a significant effect on China's Digital Music Industry suggests that PEST analysis (mainly focus on political and economic factors) can be appropriate for the sake of research objectives of this study. Moreover, Digital Music is an emerging industry in China for about ten years, rising from the improvement of government policy, which made its background very complex and varied. It is necessary to have a clear understanding of the causes in the external environment before the formulation and implementation of strategic management or its testing to forecast its practicability.⁵⁶⁵

Accordingly, it is challenging to build a new management framework for China's Digital Music Industry, on account of these reasons, as it may involve the construction of theories from already existing theories and to further reshape it into more robust theoretical approaches which can be feasibly applied in a Chinese context. Following the literature review of theories, this Chapter analyses the changes and development of Digital Music in China, having effects from the

⁵⁶⁵ According to interview 17, "The external environment of the enterprise has three significant characteristics:

- (1) Volatility that is, the external environment often changes and is difficult to predict.
- (2) Uncontrollable, that is, a single enterprise does not control changes in the external environment.
- (3) Difference, that is, the external environment has different effects on different types of enterprises."

external environment with a perspective based on the interviews and QQ Music case study.

4.5.1 Political Factors

Policies have changed the direction of China's Digital Music Industry. The development of communication technology has ostensibly advanced the transformation of the music copyright system. However, in essence, it has surfaced due to a competition between the new and old entities of the music industry owing to the differences in business models and the allocation of rights. As mentioned in Chapter 3, during the past two decades of the transformation of music copyrights, the music industry experienced the interventions of publishers in the printing era, broadcasting organisations in the broadcasting era, and network service providers in the internet era. All these influenced the main body of emerging music industry as these acted as the controllers of communication technologies and channels by virtue of their involvement at the initial stage of the music industry. However, as their interest increases to stay in demand, emerging entities needed to obtain the identity of the legal right holder to ensure the legality of their business model. As a result, the conflict between the emerging entities and original entities for allocation of rights inevitably surged. In the West, it is a competition between record companies (CPs) and channel partners (SPs), but in China, the government is also a stakeholder in the ongoing competition.

Regarding the advantages of industry-driven institutional transformation, the participation and dominance in the legislation of the music industry entities can make the music copyright system in order to meet with the needs of practices to the greatest extent. Moreover, the system design

will incorporate the business models stimulated by new communication technologies. According to the authoritative interpretation from the US legislature, “motivating creation” has been regarded as the fundamental motive for copyright legislation. However, in the real world, the incentive for institutional change, to motivate for creation comes from the dominant power in the industry, such as the organisers and investors. Although copyright was initially allocated to creators, it has been obtained and thereby exercised by the dominant power of industry. In the West, the leading force could be a record company or a brokerage company. But in a Chinese scenario, it would be a channel provider (SPs) or a channel provider with the backing of the government and a third-party management organisation with the government at its back.

Additionally, the customer relationship management theory holds that enactment and enforcement of laws have an irreplaceable role in constructing social norms leading towards the formulation of habits and practices.⁵⁶⁶ As mentioned earlier, the revision of related laws and using administrative means, are constructing a new surrounding for China’s Digital Music. It means that policy formulation is increasingly leading China’s Digital Music environment to conform to international standards. However, many studies have proved that, in China, the political environment is more influential in contrast with the market environment on the

⁵⁶⁶ See from Interview 10 and 17 in Appendices. Examples from articles of law: “National IP Strategy Implementation Plan 21/03/2013” and “On the Order of the Digital Music Platforms to Stop Provided Unauthorised Music Works. 08/07/2015”. See also from, Julian Villanueva, and Rex Du. *Customer Relationship Management: Customer Behavior, Organisational Challenges, and Econometric Models*. Cambridge, MA: Marketing Science Institute, 2002; Jeffrey Peel. *Crm: Redefining Customer Relationship Management*. Amsterdam: Digital Press, 2003; Jill Dyché. *The Crm Handbook: A Business Guide to Customer Relationship Management*. Boston, MA: Addison Wesley, 2002; Andreas Muther. *Customer Relationship Management: Electronic Customer Care in the New Economy*. Berlin: Springer, 2002.

management approach.⁵⁶⁷ It has been reiterated in interview 10 which reflects that China's Digital Music Industry's development direction is driven by policy.⁵⁶⁸ As little time has passed since the initiation of development of China's Digital Music Industry as such it has not yet attained such maturity as is being enjoyed by the traditional music industry in China. Thus, for China, government-driven legislation has undoubtedly been the most reasonable historical development as regard to institutional changes. The local music industry of China has not yet been able to undergo industrial agglomeration, and therefore the industrial entities are not yet been able to propose an institutional design based on their business models.⁵⁶⁹

Owing to the pressure of international competition, China has two advantages of government-led music copyright legislation. Firstly, it can facilitate the building of an institutional framework for the development of China's music industry in advance. Secondly, it can contribute to the construction of international and universal music copyright rules and can provide a comparative research basis for future institutional development. However, in accordance with insights gleaned from interviews, the institutional development as regard to Digital Music Industry in

⁵⁶⁷ Leonidas G. Anthopoulos, and Christopher G. Reddick. *Government E-Strategic Planning and Management: Practices, Patterns and Roadmaps*. New York, NY: Springer, 2014; Susan Trevaskes. *The Politics of Law and Stability in China*. Cheltenham, Gloucestershire: Edward Elgar Pub. Ltd, 2014; David Pong. *Encyclopedia of Modern China*. Farmington Hills, MI: Charles Scribner's Sons/Gale Cengage Learning, 2009; *Contemporary Research on E-Business Technology and Strategy: International Conference, Icets 2012, Tianjin, China, August 29-31, 2012: Revised Selected Papers*. Berlin: Springer, 2012.

⁵⁶⁸ Anonymous. Interview No.10. 23 Feb. 2016

⁵⁶⁹ As mentioned in Chapter 2, in Western society, productivity has promoted the demand for management, transformed the production structure, and further promoted the formulation and progress of relevant laws. It is all driven by Creativity. According to interview 17, "the policy regulated the order of the Digital Music market. It refined the Digital Music business activities including the production of online music products, publishing and dissemination (a new industrial chain). It reconstructs the structure of some Internet companies (SPs) and record companies (CPs) and strengthens the demand for organisational management theories in China's Digital Music Industry". It highlighted the influence and role of policies in China's Digital Music Industry.

China, the institutional development could not keep a compatible pace with the development pace of Digital Music Industry due to government's unawareness towards copyright issues and it facilitated the consideration of free launch of music as a fact of life by all users.⁵⁷⁰

Although China has strengthened the management of copyright laws since 2015, the bad protection of copyright at the beginning and during the rapid industrial development has created a decisive difference between China's Digital Music Industry and the West. Thus, continuous improvement of relevant legal systems and the changes in the supply and demand relationship of the Digital Music market in China, the leading difference with West is gradually bridged.

However, loose hold on copyright issues has been reflected in interview 4 wherein the interviewee expressed that:

“Copyright protection is still being done in a responsive manner, rather than in a preventative one even though China has started to strengthen Digital Music copyright. What we usually see is to tackle infringement only after the act of piracy has been exposed. In other words, we can't prevent infringement from the outset, due to a lack of clear laws and regulations.”⁵⁷¹

It can mainly be attributed to the fact that the relevant laws failed to make appropriate adjustments and besides showing an inability to respond to the impact of technology on the industry timely. It pointed out that the cost of infringing digital music is cheap, but the way to

⁵⁷⁰ See from Interview 4 and 10 in Appendices.

⁵⁷¹ Anonymous. Interview No.4. 17 Feb. 2016.

safeguarding rights is expensive in China. When the legal protection of the value of music content is flawed, it is essential to seek ways to seek profit in ways other than music content in the strategic formulation of the music industry and music commodities. Furthermore, owing to China's exclusive national conditions, the excessive number of Chinese consumers requiring music works (Legitimate authorisation does not keep up with demand) at the initial stage of the Digital Music Industry, it was unable to stop inception of new and infringing methods and to respond to these varying conditions actively. It can also be suggested as the origin of the development of collective management blended with Chinese characteristics.

As demonstrated in 4.1, the development of Digital Music in China, suffered a fatal blow from the start and has been in a state of disorder and helplessness until the Chinese government officially became involved to promulgate a series of relevant laws and regulations before 2009. A basic management principle advocates that running a business should be based on the nature of its management requirements.⁵⁷² It is equally true for a scenario when research is conducted to ascertain the availability of management theory, as regards to Digital Music Industry, in a different context. According to the Chapter 3, the Western definition of Digital Music and relevant laws, from many angles, precisely reflects the difference between China and West, particularly from the perspective of the user habits, values and intellectual property rights. It is the main source of difference between Chinese and Western consumer demand and different business, marketing models and management strategy. More specifically, Chinese consumers

⁵⁷² Kendrick Daft, Vershinina, Kendrick, Martyn, Vershinina, Natalia, and Daft, Richard L. *Management*. Andover, MA: South-Western/Cengage Learning, 2010; John R. Schermerhorn. *Management*. 9th ed. Hoboken, NJ: John Wiley, 2008; David Boddy. *Management: An Introduction*. Seventh ed. Harlow, Essex: Pearson, 2017.

have a low recognition of the value of Digital Music products.

According to Chapters 2 and 3, much of the western Digital Music management strategy is based on Long Tail theory. Under the influence of China's legal system environment, some points of the Long Tail Theory cannot be linked to the Chinese scenario and cannot be explained. For example, in China, iTunes Music has not been successful as a classic business model of Long Tail theory as is the case in the West. The Chinese Digital Music platform operators, such as MP3.com and Top100, attempted to replicate the iTunes model in China and met with failure.⁵⁷³

The internet, as the main channel of Digital Music, is different from the traditional marketing channels, and it gradually started to reflect the importance of strategic management. It is a remarkable fact that in Europe and the United States, the development of the Digital Music Industry has experienced a "traditional offline channel - the Internet - mobile music" process.⁵⁷⁴ This Digital Music sales model that appeared on the Internet earlier than mobile music was a success. However, when mobile music and Digital Music started at the same time in China, only mobile music made a headway.⁵⁷⁵

⁵⁷³ See from Interview 7 and 12 in Appendices. See also from, Eva Dou, and Daisuke Wakabayashi. "Apple Suspends Online Book and Movie Services in China. (iBooks and iTunes Movies Services of Apple Inc.) (Tech)." *The Wall Street Journal Eastern Edition*, 23 Apr. 2016.

⁵⁷⁴ As mentioned in Chapter 3.

⁵⁷⁵ According to interview 11, "Ringtones should be classified as telecommunications providers because of its mobile phone terminal, and it is the only Digital Music project in China from early to present that can achieve sustainable profitability." This can be regarded as a starting point for the differences between Chinese Digital Music and Western Digital Music models.

The iTunes model emerged as successful in West because of a different take off as major record companies signed with iTunes at the beginning and protection of copyrights by IP law. However, prior to 2015, in China, the lack of understanding in the policy-making issues of China, resulted in a lack of Digital Music copyright protection and the proliferation of piracy. TOP100 thoroughly learned the practice of iTunes model by the integration of some Chinese characteristics (membership and limited-time free broadcasting), but even then, it suffered several setbacks. On the other hand, the problem with MP3.com was only sticking to the Long Tail strategy.⁵⁷⁶ It did not have copyright agreements with the record companies who provided mainstream or pop music to the audiences. Accordingly, the development of a niche market almost stayed out of the question as it is hard to find any similar music as the starting point in MP3.com.

This phenomenon can be suggested to mainly have been influenced by piracy and limited application of the law regarding intellectual property rights. It also has limited the ability of China's Digital Music Industry to make progress in a diversified business scenario. Accordingly, the profitability of China's Digital Music is primarily supported by the fan economy and it was compelled to seek new business models to earn profit instead of sole dependence of Digital Music Industry, for-profit generation, on music content.

This scenario requires managers to develop a non-market business strategy, in China, instead of

⁵⁷⁶ As mentioned in Chapter 2.

being dependant on “business as usual” music market strategy. The non-market strategy may include plans for building a network that intersects with the government, business partnerships, suppliers, related industry and public stakeholders. This approach would be helpful for managers to have a keen grasp of political and social trends to position their business strategies and for efficient communication within that scenery. The non-market strategy depicts that the policy may indirectly increase the intangible cost of the Digital Music business, which is different from the cost conditions required for Long Tail theory. As in the case study, the core development direction of QQ Music was defined from the beginning to provide basic free Digital Music services to Chinese customers.⁵⁷⁷ QQ Music’s act of promoting legitimate music for free has made its Digital Music copyright operation a deficit for up to 5 years. However, this behaviour made QQ Music gain the trust of the Chinese government, so that in the later period when the new copyright law was enacted, Tencent was labelled as a model for learning. Moreover, this non-market strategy led to China’s national copyright organisation’s favour for QQ music which allowing it in a dominant position in China’s Digital Music market and own more than 70% copyright of Chinese songs. Thus, as mentioned in Institution-based view, strategic choices are not only driven by industry situations and firm capabilities, but also by the formal and informal constraints of a particular institutional framework.

4.5.1.1 The Reverse Effect of China’s Digital Music Market Environment and Chinese Culture on Policy

Many studies show that, although China’s copyright laws are being strengthened through

⁵⁷⁷ As mentioned in Chapter 6.

continuous efforts, the penalties for infringement are adjusted according to the specific market environment. For example, during 2008-2012, there were many times when the penalties for infringement of copyrights of Digital Music were much lower in contrast with previous years. It also reflects a slack control of the government, at macro-level, for the Digital Music Industry. It can also be suggested as a reason of the failure of the Western Model as it failed to understand the fundamentals of China's policy adjustment by misunderstanding that copyright laws had been strengthened for the sake of promotion of Digital Music content as a core product of China's Music Industry. It has also been reflected in the interview with Interviewee 16 who stated as under:

“Western strategic management theories can interpret the changes in the Chinese market in terms of methods. Theories cannot be effectively applied in a Chinese context due to the complicated reasons majorly due to changed application ground and are difficult to explain in a cross-culture context”.⁵⁷⁸

As revealed in Chapters 3, copyright-related laws are being strengthened in China and West, but the causes and motivation for this change are different in the West in contrast with China. It will lead to fundamental differences in the management of Digital Music Industry, in China and in West, for the sake of bringing reforms in the industry from the perspective of the issue of strategic formulation of management theories and strategic effectiveness of these theories. The Chinese scenario, in this regard, was stated by the Interview 10 who expressed: “The reasons for changes in China's Digital Music and intellectual property policies are different from those in the United

⁵⁷⁸ Anonymous. Interview No.16. 24 Oct. 2016.

States or other Western countries”⁵⁷⁹.

The problem of piracy in China is difficult to solve. This is a historical problem. Consumption habits cannot be changed instantly. Therefore, the starting point of copyright laws and policies is how to increase the income capacity of copyright holders rather than increasing the punishment of infringement of intellectual property rights.

The impact of policy, on China’s Digital Music, can be suggested as a process encompassing quantitative change to qualitative change. Copyrights, in China, has not been protected for a long time due to the piracy problem, and China’s Digital Music has to seek new ways of devising an efficient profit model.⁵⁸⁰ Many scholars have confirmed that piracy is the main obstacle to the development of Digital Music.⁵⁸¹ One study, suggests that there is no evidence of displacement of sale of Digital Music by piracy or by licensed streaming.⁵⁸² However, it is also a fact that pirated music also promoted the development of China’s Digital Music Industry besides changing the direction of its growth, from music sales to a service-oriented delivery. Some theories also support that piracy has a positive effect on the Digital Music Industry and has inspired the inception of new management models, like using demographic dividends for fan

⁵⁷⁹ Anonymous. Interview No.10. 23 Feb. 2016.

⁵⁸⁰ See from Interviews 7 and 13 in Appendices.

⁵⁸¹ OECD Publishing, Piotr Strykowski, and Danny Scorpecci. *Piracy of Digital Content*. Paris: Organisation for Economic Co-operation and Development, 2009; Alexandru Bortnic. *A Service Value Chain Approach: Combating Digital Music Piracy Through Value Maximization Measures*. Bremen: Jacobs Univ, 2013; Stephen Witt, and Stephen Witt. *How Music Got Free: The End of an Industry, the Turn of the Century, and the Patient Zero of Piracy*. New York, NY: Books on Tape, 2015; Steve R. Gordon. *The Future of the Music Business: How to Succeed with the New Digital Technologies*. Milwaukee, WI: Hal Leonard Books, 2015; Margie Borschke. *This Is Not a Remix. Piracy, Authenticity and Popular Music*. London, England: Bloomsbury Academic, 2017.

⁵⁸² L. Aguiar, and B Martens. “Digital Music Consumption on the Internet: Evidence from Clickstream Data.” *Information Economics and Policy*. vol. 34, no. 1, 2016, pp. 27-43.

marketing and combining music sales with social factors.⁵⁸³ For example, the use of demographic dividends for fan marketing and combining music sales with social factors. These less profitable models in the West have proved very effective in a Chinese context.

Chinese law is also flexible to the crackdown on piracy, which undoubtedly further exacerbates the differences between the nourishment of Digital Music development in China and the West.

According to interview 4:

“The main reason seems to be one that is commonly rooted in China’s judicial system[...] the court would tend to act more like a middleman, who considers not only the interests of the copyright owner but also that of the infringer. The court would take into account whether the infringer could bear the damages. Considering the infringer’s need for survival, the court would not hit too hard on this side”.⁵⁸⁴

Chinese law sometimes adjusts the verdict according to the actual situation, which means that there is no very strict punishment standard for piracy before 2015.

4.5.1.2 Policy Changes the Value of Music in China’s Digital Music Industry.

The main concludes of interviews 3 and 10 are reproduced as under:

“The view that the higher the intensity of copyright protection is more favourable to the

⁵⁸³ Course P. T. R. D. Staff, and David J. Moser. *Music Copyright*. Boston, MA: Course Technology, Incorporated, 2006; Rafael Rob, and Joel Waldfoegel. *Piracy on the Silver Screen*. Cambridge, MA: National Bureau of Economic Research, 2006; *Symposium, Piracy and File Sharing*. Chicago, IL: Published for the Graduate School of Business of the University of Chicago and for the University of Chicago Law School by the University of Chicago Press, 2006; Ken Hendricks, and Alan Sorensen. “Information and the Skewness of Music Sales.” *Journal of Political Economy*, vol. 117, no. 2, 2009, pp. 324-369.

⁵⁸⁴ Anonymous. Interview No.4. 17 Feb. 2016.

development of the music industry is not entirely correct. [...]. This is a particular situation we have in China. The government prioritises the interests of the public [...]. But the government would certainly not want to see stringent copyright system in the long run, as it may bring profit to musicians and the music industry but exerts a negative influence on the culturally rich and varied life of the general public”.⁵⁸⁵

The Chinese government’s development strategy for the Digital Music Industry is first to strive to increase the size of the industry and the number of users and then gradually increase consumers’ attention to copyright through policies and macro-control of the market. This behaviour directly and significantly reduces the value of music content as a commodity and defines music content as a public resource from the perspective of policy development. Therefore, local Digital Music companies in China have been working hard to develop Digital Music relevant services.

During the legislative and copyright enforcement process, the measures thoroughly considered various complex factors involved in the growth of the Digital Music Industry by considering the market benefits and public social interests.⁵⁸⁶ This is also one of the major differences between Chinese and Western Digital Music Industry. Music content is considered as a public resource, and Chinese consumers can freely choose and hear most songs from formal channels. Thus, improving the level of copyright protection for the sole purpose of music creators is against the original intention of setting up a copyright mechanism. On the contrary, it will facilitate the monopoly of record companies, and cause the music market to eventually lose vitality due to

⁵⁸⁵ See from Interviews 3 and 10 in Appendices.

⁵⁸⁶ Anonymous. Interview No.17. 28 Oct. 2016

lack of competition. The public, as the audience and consumers, also need to pay attention to their cultural interests. Even if a musical piece has a high level of professionalism, it may still be shelved because it is not accessible to the public. Without the market's recognition and affirmation, it is also tricky to commercialize the whole music industry to ensure a good return in the course of business.

However, the fact that the value of Digital Music itself has significantly been weakened by piracy is immutable. However, these explanations are not enough to understand China's Digital Music Industry in a correct way. As the core of the industry has shifted, so the reference value of Western music management, for an equivalent Chinese music management has further been reduced. China's Digital Music Industry has a radical difference from the West's Digital Music Industry. According to interviews 1, 3, 4, 6 and 11, the negative impact of piracy on consumer spending habits in China has greatly contributed towards the economic loss.⁵⁸⁷ Therefore, the majority of China's Digital Music platforms are aimed at cultivation of consumer spending habits as the primary purpose. QQ Music was one of the first to do so and successfully starting profit.

4.5.1.3 The Continued Strengthening of Copyright Allows China's Digital Music Industry to align with International Standards in Terms of Music Content.

As the policy was enacted in 2015, Chinese internet companies increased investment in copyright protection, while the media platforms, record companies are working together to

⁵⁸⁷ See from Interviews 1, 3, 4, 6, 11 in Appendices.

promote legal Digital Music.⁵⁸⁸ At this time, the Long Tail of China's Digital Music has finally been highlighted.⁵⁸⁹ The fruitful strategy - "Music+" from QQ music is based on this policy. It is an act of resource integration from a strategic management perspective. As discussed in section 4.3, China's Digital Music Industry is a multi-industry cooperation and development model. Accordingly, through the Digital Music content provider and the music platform, in-depth collaboration to increase the value of music services and to exploit the economies of scale, are the main strategies of China's Digital Music. It required application of a diversified marketing strategy applied as a management approach.

It is an act of resource integration from a strategic management perspective. As discussed in section 4.3, China's Digital Music Industry is a multi-industry cooperation and development model. Accordingly, through the Digital Music content provider and the music platform, in-depth collaboration to increase the value of music services and to exploit the economies of scale, are the main strategies of China's Digital Music. It required application of a diversified marketing strategy applied as a management approach. In general, the new policy provided a viable and fruitful business model for Digital Music through improved value of music. This model is likely to combine the developmental concept of Chinese and Western Digital Music. The policy impact is a huge step forward for application of the Western management theories to the Digital Music Industry in a Chinese context. The "Music+" project indicates that accurate grasp of political

⁵⁸⁸ The police about "On the order of the Digital Music platforms to stop provided unauthorised music works." 08/07/2015; Michael Keane, and Edward Elgar Publishing. *Handbook of Cultural and Creative Industries in China*. Northampton, MA: Edward Elgar, 2016. "Handbook of the Politics of China." *Reference Reviews* vol. 30, no.7, 2016, pp. 20-21; "China Digital Anemometer Industry 2015 Market Research Report." *M2 Communications* 02, Oct. 2015.

⁵⁸⁹ As addressed in Chapter 2, The Long Tail is a business strategy that allows companies to realise significant profits by selling low volumes of hard-to-find items to many customers, instead of only selling large volumes of a reduced number of popular items. The term was first coined in 2004 by researcher Chris Anderson.

trends and positive responses to policies is one of the most effective ways of managing Digital Music in China. Further, it is also a manifestation of strengthened core competitiveness from strategic resources. Copyright ownership will determine the quality of the music platform in licensing. The primary music service providers are competing to buy exclusive copyrights leading to a surge in music copyright prices. There is an interesting point based on the interview summary. It has increased the cost of providing music services and has not increased the value of music content.⁵⁹⁰

The policy has also increased the financial pressure on Digital Music service providers and has changed its competitive strategy into a cooperative mode. Meanwhile, the exclusive copyright and the agency cooperation mode which includes carrying on the Omni-directional copyright management, assistance to the label operations and authorisation of work for Digital Music has further deepened the cooperation of internet companies and record companies in China's Digital Music Industry. Subsequently, music platforms are exhibiting a brand effect through the exclusive copyrights to differentiate music content in a critical strategic management approach.⁵⁹¹ This trend provides a theoretical basis for the formulation of strategies based on RBV. The higher the proportion of content as a core resource in the Chinese Digital Music Industry, there would be a higher probability of matching and confirmation of Western Digital Music management model with the Chinese environment and with the least probability of encountering obstacles to the application of Western theories in a Chinese context. It should be

⁵⁹⁰ See from Interviews 2, 3, 11, 13, 15, 16 in Appendices.

⁵⁹¹ In Chinese culture, companies with huge resources or scale tend to gain public recognition and trust easier which also build a credible brand image.

noted that with the further influence of the policy, there would be more similarity of Chinese Digital Music Industry with the Western Digital Music Industry model but with limited application to the content sales. The core profit of China's Digital Music Industry can be suggested to achieve by relying on service added value. It leads to the fact that although China and the West, both consider Digital Music as a product, but the goals of Chinese and Western Digital Music management, in strategy formulation are completely different. The West sells music content and China uses music content to attract users then develop other ways to make money by relying on users' trust.

4.5.1.4 The Negative Effects of Policies on the Development of Digital Music

Combination of messages extracted from the interviews 5-11 and the archive sources used in Chapter 3, shows that due care of Digital Music copyright has also brought a series of new problems.⁵⁹²

According to the historical background of the development of Digital Music in China and the impact of legal policies, Digital Music copyright license model in China encompassing exclusive license and centralised license, represent two different operating modes of exclusive and extensive authorisation of rights, both of which follow the market's dominant position in the allocation of information resources, and both are built on copyright exclusiveness and prior negotiation with the party. However, in practice, the former is suspicious for restricting the spread of musical works and is considered to be detrimental to the normal competition order and

⁵⁹² See from Interviews 5, 6, 7, 8, 9, 10, 11 in Appendices.

long-term healthy development of the Digital Music market. Therefore, it has been “criticised” by the Chinese copyright authority.⁵⁹³ According to interview 10: “the main problem is still a concentration of power and the opaque and chaotic governance in the Digital Music Industry, which makes it a fuzzy system for people to work with”.⁵⁹⁴ Because the latter has been crippled by monopolistic disadvantages of collective management organisations in China, it failed to perform its desired effects. In a sense, the development of Chinese Digital Music copyright licensing model has fallen into a dilemma in path selection currently. It is facing a challenge in protecting the legitimate income of rights holders and promoting the popularisation of music works. The lack of innovation in related institutions and mechanisms has become an obstacle to industrial development.⁵⁹⁵ From the perspective of Digital Music management and relevant strategy formulation, the choice, construction and shaping of the system itself must be considered as a crucial “endogenous variable”.

The strategic behaviours and strategic choices of enterprises in their growth process are not just driven by industrial conditions and enterprise-specific resources, as traditional strategic research points out. It is also an active response of strategic decision-makers to various formal and informal constraints under a specific evolving institutional framework. The dilemma inherent in China’s institution undoubtedly makes it more challenging to manage it. Moreover, if such institutional differences cannot be actively identified, severe mistakes in strategic choices may

⁵⁹³ Xianjiang Chen. “Ru He Dui Dai Yin Yue De Du Jia Ban Quan?.” 2015. www.re-chord.net/8101. Accessed 21 May. 2018; New Music Industry Watch (ReCHORD). “Du Jia Bu Shi Du Zhan Wang Luo Yin Yue Jin Ru Gong Xiang Jing Ji Shi Dai.” 2015. www.re-chord.net/8099. Accessed 21 May. 2018

⁵⁹⁴ Anonymous. Interview No.10. 23 Feb. 2016.

⁵⁹⁵ Xin Zhu. “Zhong Guo Shu Zi Yin Yue Ban Quan Li Yi Guan Li Ji Zhi Tan Tao.” *China Press*, vol. 1, no. 1, 2009, pp. 54-83.

result.

4.5.1.5 Exclusive License of Copyright

The exclusive license can be suggested as a better strategic choice, adopted by the market, in the process of development of genuine and paid Digital Music Industry in China. However, the exclusive license has resulted in a vicious competition strategy. In the process of transformation of the Digital Music market in China, the exclusive licensing agreement made by upstream music record companies and downstream network music service providers has gradually emerged as the mainstream practice in the industry. The exclusive license enables an internet music platform to exclusively use and disseminate specific music resources, which helps the platform to gather online music users by monopolising the content of the music library. It gradually cultivates users' awareness of paying. It can be said that the Digital Music exclusive license or general agent model, as a product of industry's self-adjustment and regulation during the development stage of a particular market, marks the transition of Digital Music market in China, from the barbaric growth to the competition of copyright-focused capital.

This license model is entirely based on the exclusiveness of intellectual property rights, plays a vital role in curbing the piracy of Digital Music in China, and promotes the legalisation of the music industry. However, it is also easy to cause copyright disputes related to exclusive authorisation and sub-authorization within the industry. Besides, under the operation mode of the exclusive license of copyright, a possible market disorder appears to be that network music service providers are driving up the price of licensed works to snatch exclusive copyrights, which

in turn triggers malicious competition between different music platforms, and it is often the consumers who end up paying the resulting cost of copyright premiums. Without a clear understanding of the causes and effects of such policy alterations, it will severely restrict the formulation and implementation of strategic management.

Subsequently, Chinese copyright authorities also began to regulate the prevalence of exclusive copyrights in the Digital Music market, proposing that online music works should be “fully licensed and avoid exclusive copyrights”.⁵⁹⁶ Therefore, even though QQ Music has almost monopolised the copyrights of most of the mainstream Chinese songs, it immediately responded to policy guidance and began to cooperate with other music platforms. Moreover, QQ Music sub-licensed the copyrighted music to other music platforms to reduce commercial competition in copyright. Explaining with IBV’s strategic thinking is institutions affected by the competition of informal institutions (between enterprises). Administrative guidance was rendered through remediation activities, interviews with major music companies and the Internet Music Service Providers, and other forms have promoted the broadening of Digital Music licensing. It can be said that the negative attitude of higher administrative authorities has caused copyright monopoly to face policy-related obstacles in the development of China’s Digital Music market, and it has also created the current situation that music copyright owners and network music service providers are unable to construct the copyright operation models continuously. It has also

⁵⁹⁶ *State Administration of Press, Publication, Radio Film and Television of the People’s Republic of China*. “Copyright Management.”2015. www.gapp.gov.cn/govpublic/96/266658.shtml Accessed 21 May, 2018.

led to confusion over Digital Music management.

From the perspective of competition, there is a common understanding that the licensing model of exclusive music copyright helps to protect the market economic interests of the copyright owner and gives incentives for production and creation. The internal logic is that each online music platform can launch and engage in market competition on copyrights to obtain high-quality music resources which leads to a price rise. Instead of decentralising the work to multiple marketing platforms, the music copyright owner exclusively licenses the use of its work to an online music platform of considerable scale and good reputation, and may further implement the business model of copyright distribution, which not only, can ensure the sales of its works and reduction in the cost of rights transactions, but can also indirectly control the channels of communication of works.

From the perspective of the business model, the competition in the music industry is being represented by the competition between the scale of users and content differences between platforms. However, China's response to this competition is different from the Western approach, which is to provide basic music services for free. According to interview 16, "for paid users, their value perception of the paid services is very low, which could hardly create coherence in payment".⁵⁹⁷ The music content has a low value in China's economic environment, and it has led to low recognition of the value of music by Chinese consumers. In response to this situation, a new model with Chinese market characteristics was proposed by QQ Music. The music service

⁵⁹⁷ Anonymous. Interview No.16. 24 Oct. 2016.

provider, represented by QQ Music, is dependent on user flow monetisation. By purchasing exclusive rights to music content, the platform can absorb the corresponding music listeners and enhance user stickiness to the greatest extent. According to interview 18, “the more traffic the platform attracts, the stronger the promotion ability of artists promoted on the platform, and the more it will establish and consume more models. More potential consumers will also provide rich opportunities.”⁵⁹⁸ To expand the platform’s traffic entrance and build a subsequent payment mechanism, this is also in line with the Internet business model’s pursuit of traffic and transmission efficiency.

The popularity of the exclusive copyright model has its internal legal basis and commercial orientation. However, in practice, there are always two major questions that cannot be avoided: 1) The restriction on the distribution channels of music works; 2) Tend to cause malicious competition in the market. Comparing to movies, the attributes of public works of music are more evident in China, and there is a lack of crucial offline communication channels such as theatre screenings. Therefore, the public dependence on using Digital Music service by online music platform is exceptionally high. If a single platform monopolises a large number of music library copyrights through an exclusive license, it may result in the limited efficiency of the dissemination of specific musical works, and it may fail to meet a popularised demand.

4.5.1.6 Centralized Licenses of Copyright.

To avoid exclusive licenses and to promote the general authorisation of Digital Music copyrights,

⁵⁹⁸ Anonymous. Interview No.19. 29 Oct. 2016

centralised licenses are respected by the government of China as a solution that combines license benefits and dissemination efficiency. Comparing with exclusive licenses, centralised licenses, as traditional music copyright licensing models, are also characterised by respecting the autonomy of the parties and not breaking the exclusive property rights of the rights holders. They are also generally regarded as a way to reduce the dispersion of rights subjects and maintains the openness of the authorisation mechanism. Therefore, the centralised licensing transaction model is not only advocated by China's copyright authorities, according to the interviews summary that shows the key to solving the dilemma of Digital Music copyright licensing lies in 1) Coordinating the conflict of interests caused by the differences in business models between the traditional music industry and the emerging Internet industry; 2) Applying a centralised, one-stop licensing model which includes the copyright for musical works and the right to receive phonograms on the music copyright owner (adjacent owner) and the Internet service provider.⁵⁹⁹

Accordingly, the effective implementation of the centralised license depends on the effective operation of the corresponding collective management organisation of copyright. As far as the status of the industry in China is concerned, the function of China Audio-Video Copyright Association has not been satisfactory for a long time. The China Audio Copyright Association (CACA) established in December 1992, and the China Audio Copyright Collective Management Association (CACCMA) established in May 2008 are the only management associations for audio and video copyright in China. The former represents the centralised authorisation of musical works copyright on behalf of composers, songwriters and other music copyright owners,

⁵⁹⁹ See from Interviews 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 in Appendices.

while the latter aims to safeguard the legitimate rights and interests of the neighbouring rights of producers of phonograms.

Since the establishment of the CACA and CACCMA, although they have greatly improved the efficiency of music-related rights, copyrights, and have implemented a series of lawsuits to safeguard the legitimate income of rights holders. China's collective copyright management organisations have exposed many shortcomings; the most obvious of which are the problems of the inefficient operation of the organisation and the inability to protect the rights and interests of the rights holders, and the deeper reason is due to the legal provisions and institutional framework of collective copyright management, which cause agency monopoly in China. It is pointed out that, if the content is developed, as the core industry of Digital Music in such a system, full protection of its interests, through the law is ambiguous. Because copyright holders or regulators are government organisations, the government will significantly control the revenue of third-party Digital Music companies.

According to interview 10, in response to this situation, government responded in this way:

“We have a large population, and the promotion and regulation of music works per se are complicated enough, not to mention the various interests of multiple parties involved. It has not been a long time since we started to carry out collective management, so we still lack experience. At the core of many of our regulations, norms are administrative. If the government leaves it completely open in one-step, the public would once again feel uncertain about its authority. We need to enhance the public's awareness and overall

attainment before taking such step”.⁶⁰⁰

Therefore, in the establishment of the organisation, the government has always dominated the operation of the collective management organisation of music copyright in China. The public authority has adopted an established model of administrative license in the establishment of the organisation, which strictly limits the number and scope of collective management organisations, ruling out the possibility of collective management organisations created by private entities. This shows that the collective management organisation of copyright in China has a de facto and legal dual monopoly position, and the lack of sufficient external competition can easily lead to the lack of adequate market-based incentives for collective management organisations in the design of licensing conditions and pricing mechanisms; in other words, the practical operation of the organisation is not designed to maximise the interests of right holders, nor does it fully utilise the institutional advantages of the centralised licensing model in reducing transaction costs. Consequently, compared with the exclusive license, the collective license of copyright, implemented by the collective intermediary of the transaction agency, actually weakens the production incentives of the rights holder.

Furthermore, copyright collective management organisations usually provide a package of general licenses indiscriminately in the choice of licensing models, which has raised monopoly questions about collective management organisations’ “fixed works prices” or abuse of market dominance. Package licenses under the model, the user can use the collective management

⁶⁰⁰ Anonymous. Interview No.10. 23 Feb. 2016.

organisation's entire work arbitrarily by paying a fixed standard license fee. This license model meets the work user who has a large-scale or large-scale use of the work. Still, for those users who have relatively little demand for the use of works, the application of a blanket licensing model makes them bear the transaction expenditure costs that are severely inconsistent with the request, and to some extent constitutes a "tie-in" or "compulsory transaction" of the product. According to interview 12, "Represented by the high cost of copyright, these potential problems have shown signs of a burst in recent years".⁶⁰¹ The primary manifestation is that the license fee standard cannot flexibly reflect changes in the Chinese market situation. This regulation further exacerbates the burden of music platforms with music as its core competence, driving them to seek a liquidation model for copyright in the Chinese context. Under the burden of high copyright costs, mainstream Chinese music platforms intend to avoid high copyright expenses by integrating upstream content. However, the role of upstream integration is very limited, and it cannot reduce content costs fundamentally. The key to reducing copyright costs is always to improve the bargaining power of the platform itself in the industry chain. In other words, due to the influence of China's system on Western music models, which made its core profit model as content, it will be very difficult to survive in China.

China's copyright collective management organisation has always had a statutory monopoly status, and it is also difficult to monitor externally and regulate it by introducing a competition mechanism or anti-monopoly litigation; the centralised licensing model of copyright under the system of administrative intervention is likely to cause the hike in the price of works failing to

⁶⁰¹ Anonymous. Interview No.12. 18 Aug. 2016.

meet the market demand in a timely manner. The primary manifestation is that the license fee standard cannot flexibly reflect changes in the market situation. In practice, it cannot highlight the purpose of the system based on the rights holder. The establishment of exclusive licenses and the introduction of extended collective management deprives the right holders of autonomy at the level of system design. It weakens the economic incentives of right holders to produce.

Therefore, China's copyright system is inherently exogenous, and the growth and evolution of the system is typically public authority-guided. Communicators and users represented by broadcasting organisations and network service providers are usually much more powerful than the copyright holders.⁶⁰² An attempt to find a way through which Western Digital Music model or strategic management can be applied in the Chinese market in a better way and the application of theory to target the Digital Music Industry should be based on China's legal license and strengthening the protection of rights and interests of music copyright holders.

4.5.1.7 Reasons for the Negative Impact of Copyright Law Development.

From the perspective of institutional development, many innovations of the copyright system emerged from the field of music copyright. Influence of communication technologies on the range and approaches of using musical works can be suggested as the reason for becoming music copyright a "trailblazer" for the reformation of the copyright system. As such, the existing rights system cannot meet the market demand under new technological conditions. In the drafts of the Third Revision of the Chinese Copyright Law, released for solicitation of public opinions, the

⁶⁰² Anonymous. Interview No.2. 15 Feb. 2016.

statutory license and extended collective rights management system, is directly related to music copyright, were widely questioned. Revision of copyright law triggered a fierce debate over China's music copyright system, and it can be attributed to two main reasons.

Firstly, from the perspective of system design, China's copyright law was initially established in response to international trade and international conventions, and the creation of music copyright system was not tailored to advance the development of Digital Music Industry of China. As a result, the application of some provisions lacked industrial foundation and institutional guarantees. In the Third Revision of the Copyright Law, music copyright owners renounced and criticised the existing "statutory license for the production of sound recordings", which was essentially a dissatisfaction with the statutory license that had not been implemented effectively for a long time. Secondly, from the perspective of system transplantation, China has long focused on the introduction of the legislative rules of music copyrights, being practised in other countries, however, with missing theoretical explanations thus effort can be suggested as a half-hearted attempt. When the internet technology impacted China and the West at the almost same point of time, remained no possibility of copying any model in China, already being practised in the West with success. Due to flaws in successful transplantation of any such model, from West to China, in this situation, it was difficult for legislators to either identify the reasons behind system failure in accordance with the principles, based upon system was generated, or to make independent judgments on system transition in the absence of any existing legislation which could have been employed as a reference.

To sum up, the business models in China's Digital Music Industry have become more specific and complicated. Particularly with the involvement of the Internet industry (SPs), the business model of local Digital Music Industry has already shown a development trend and advancement trajectory utterly different from the West. In this situation, legislators are facing more than a simple market environment; they are referring to the model of western legislation within the Chinese context, which is unsuitable. Accordingly, the legislation might not be able to reflect the market demand fully. It would not be able to apprehend the whole problems for the progress of the Digital Music Market in China. Thus, the dominance of government over the establishment of music copyright agencies and service offices has made the government a driving force in the process of legislative transformation. These organisations, which are usually created by industry entities in other countries, have become quasi-governmental organisations in China. Consequently, there arises a strong possibility of clashing interests between government and civilian entities for the sake of benefits.

The development of China's policy divides the Digital Music management into three modules: music copyright management, fan economy and the derivative value of music. Copyright management is the hardware requirements of the music platform, and the other two are the core competitiveness, which determines the developing rate of service value. Different from western Digital Music, Chinese Digital Music can clearly be said to be service-oriented. Protection of intellectual property rights, in particular, can be suggested as a challenging issue to address, especially in emerging markets where the legal and cultural framework might not support protecting one's rights adequately. On the other hand, enterprises might try to exploit legal

loopholes or institutional flaws to seek profits from these problems and try to benefit from the realities of the marketplace and thus turn the issues into their competitive advantage. The Digital Music Industry is a multi-industry convergence in China.⁶⁰³ It cannot merely be seen as an E-commerce or Digital Music platform.

Although the value of Digital Music copyrights has been increasing due to policy reasons, the development pattern of China's Digital Music business model still satisfies the emotional needs of users. It mainly reflects the diversity of services content in music. The application of management theory is always based on the construction of the business model. Free streaming plus value-added services are the mainstream model for China's Digital Music Industry. Accordingly, the primary management model is to develop users' habits and promote brand awareness by offering free music products and services to attract user base and then charge users with differentiated value-added services.

From the policy point of view, the Long Tail theory has a limited application for Digital Music management in a Chinese context. If there is an error in understanding the attributes and impact of China's system, it will greatly limit the applicability of management theories. The story of copyright policy in China is symptomatic of the Digital Music Industry's changing development

⁶⁰³ Anthony De Ritis, Si, Si, Tang, Diming, and Lyons, Robert. "An Ecosystem Lens: Putting China's Digital Music Industry into Focus." *Global Media and China*, vol. 1, no. 4, 2016, pp. 350-71; Michael Keane, and Edward Elgar Publishing. *Handbook of Cultural and Creative Industries in China*. Northampton, MA: Edward Elgar, 2016; Jason Potts, and Edward Elgar Publishing. *The Economics of Creative Industries*. Northampton, MA: Edward Elgar, 2016.

direction and its internal framework.

Although China's copyright policy, being in an early stage, harmed the development of the Digital Music Industry and also ignored, taking into consideration the national conditions of China, when the American system was studied for the formulation of same. However, historical perspectives of the political systems suggest that mutual learning of civilisations is inevitable in the era of globalisation, but it cannot negate the strength and importance of embedment of essential traits of the culture of a country in the foundation of a country's political system.

4.5.2 Economic Factors

4.5.2.1 National Economic Environment Impact on Digital Music Industry and Related

Industries in China

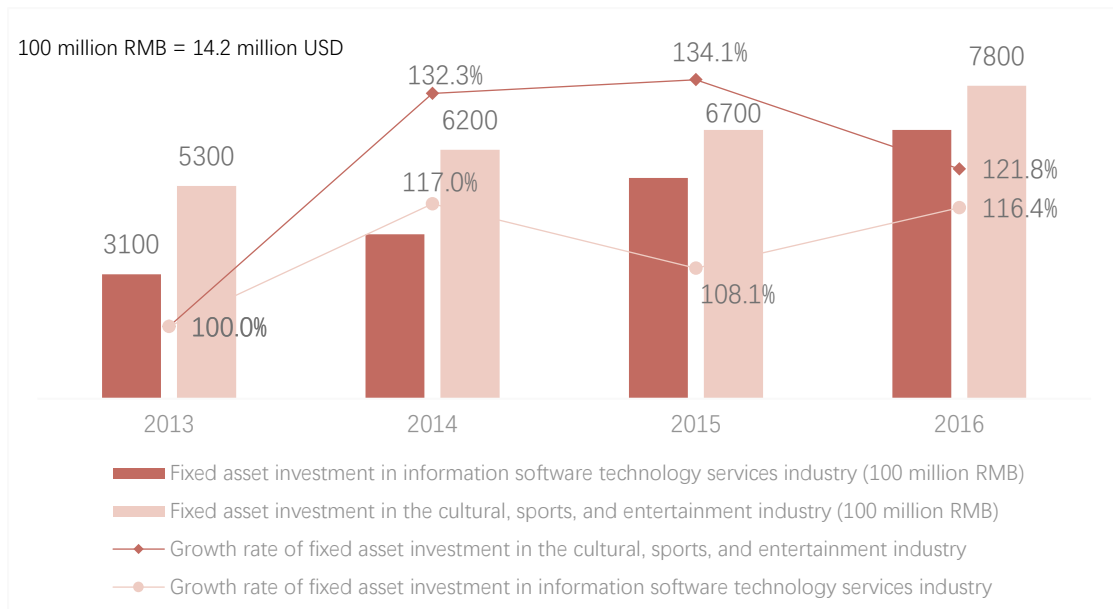


Figure 4. 2013-2016 Fixed Asset Investment in Information, Software Technology Services and

Cultural, Sports, and Entertainment Industry⁶⁰⁴

As shown in figure 4, China's creative cultural industry and entertainment industry are on a trajectory of rapid development. With the improving per-capita material standard of living, in the value-oriented Chinese society, it began to tilt for the next section (pursuit of more spiritual enjoyment). However, when companies pursue product quality, excellent functions, or good service for the sake of to make some difference, they will inevitably have to stick to a continued investment for the business, and the high-level competitive advantage is usually through an aspect of long-term accumulation and continuous investment in equipment, professionals and technology.⁶⁰⁵ It can be inferred that the trend of capital investment demonstrate optimism about the development prospects of Digital Music in China. China's Digital Music Industry and related industries' investment growth is impressive, which shows a stabilising trend with an incremental factor greater than 10 per cent per year.

⁶⁰⁴ Completed by researcher. Date Source: *National Bureau of Statistics of the People's Republic of China*. "Statistical Yearbook of the National Bureau of Statistics of the People's Republic of China 2014-2017." 2017.

⁶⁰⁵ Jia-Sheng Lee, and Chia-Jung Hsieh. "A research in relating entrepreneurship, marketing capability, innovative capability and sustained competitive advantage." *Journal of Business & Economics Research (JBER)*, vol. 8, no. 9, 2010, pp. 109- 119.

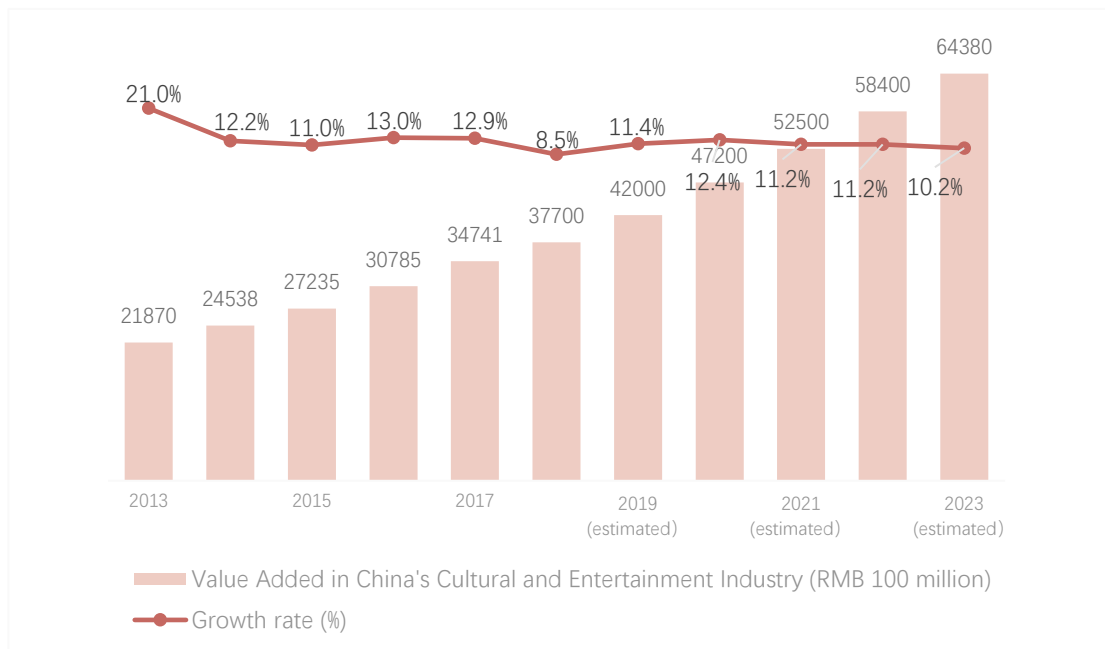


Figure 5. Development and Scale of China's Cultural and Entertainment Market: 2013-2023⁶⁰⁶

As shown in figure 5, it can be suggested that the creative cultural market is gradually forming a content ecology with IP as one of its cores, and the IP value of cultural and entertainment content would be able to increase several times during 2013-2023. From the enterprise level, it is closer to the western model in recognition of content value. Digital Music, as a critical part of content ecology and service construction in China, brings more possibilities to its business model through integration with other entertainment industries.

Institution-based view believes that the extension of the motivation of human activities makes the optimisation of economic operations, having been restricted by social norms and obligations.

⁶⁰⁶ Completed by researcher. Date Source: *National Bureau of Statistics of the People's Republic of China*. "Cultural and Entertainment Industry Statistical Report of the National Bureau of Statistics of the People's Republic of China 2013-2023." 2018.

From the perspective of strategic management formulation, people must first have a basic understanding of what affects changes and trends in the market environment. This favourable economic environment in China promotes the development of Digital Music-related industries and is capable of undergoing diversified development to enhance the competitiveness of the industry. It will further be explained in detail in the “business models” section. However, look at the overall economic environment of China, with a focus on Digital Music Industry, presents two serious issues.

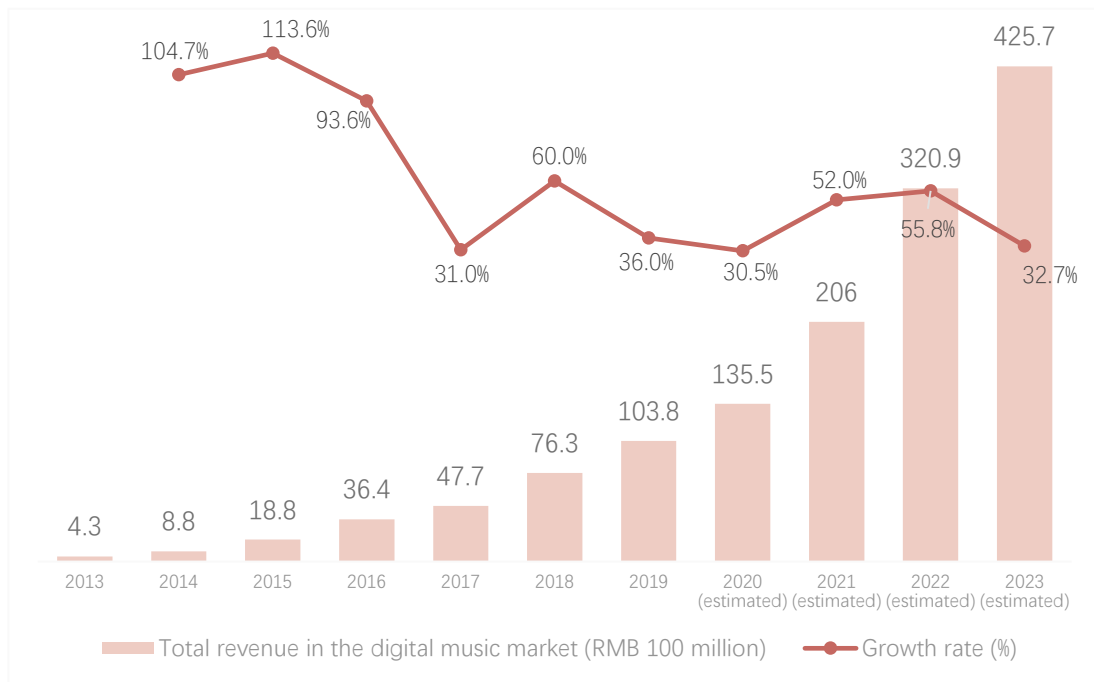


Figure 6. China's Digital Music Market Size and Growth Rate 2013-2023⁶⁰⁷

As shown in figure 6 the growing scale of the industry is quite sustainable, and it went on an accelerated trajectory from 2014 onwards when the development phase began in 2014. As mentioned in the previous Chapters, the rapid development of the industry has not been accompanied by the development of the relevant legal system, and it has also caused chaos in the management theory construction. The theory is a summary of management practices, but when the market environment changes too quickly, the lessons of managerial experience learned may already be outdated, such a scenario may lead towards the inception of such a problem, which might not have an immediate solution, and all this can lead to a vicious circle for theory construction. Further, from a long-term development perspective, the distribution of Chinese Digital Music's income is extremely unreasonable for musicians (specifically music content

⁶⁰⁷ User paid revenue includes revenue from users to purchase memberships, language packs, and digital albums on the platform. Completed by researcher. Date Source: iResearch's consolidated corporate financial results and expert interviews, based on iResearch's statistical model. Available at: *iResearch*. Accessed 5 May 2018.

producers, including lyrics or songwriters, music editors, etc.). It has been highlighted in interview 2:

“But what’s worth noting is that the communications industry is monopolistic. This means China Mobile, China Unicom and China Telecom make group purchasing, and music per se doesn’t bring musicians much profit, because brokerage firms have already acquired the copyright of these music works from National Collective Management Organisations, although some individual musicians may somehow profit a bit in the process”.⁶⁰⁸

Economic environment impact, due to institutional defects, takes away much of the profit that musicians are entitled to earn. This fact also directly reflects the ratio of copyright revenue in China’s Digital Music Industry is unreasonable.

⁶⁰⁸ Anonymous. Interview No.2. 15 Feb. 2016.

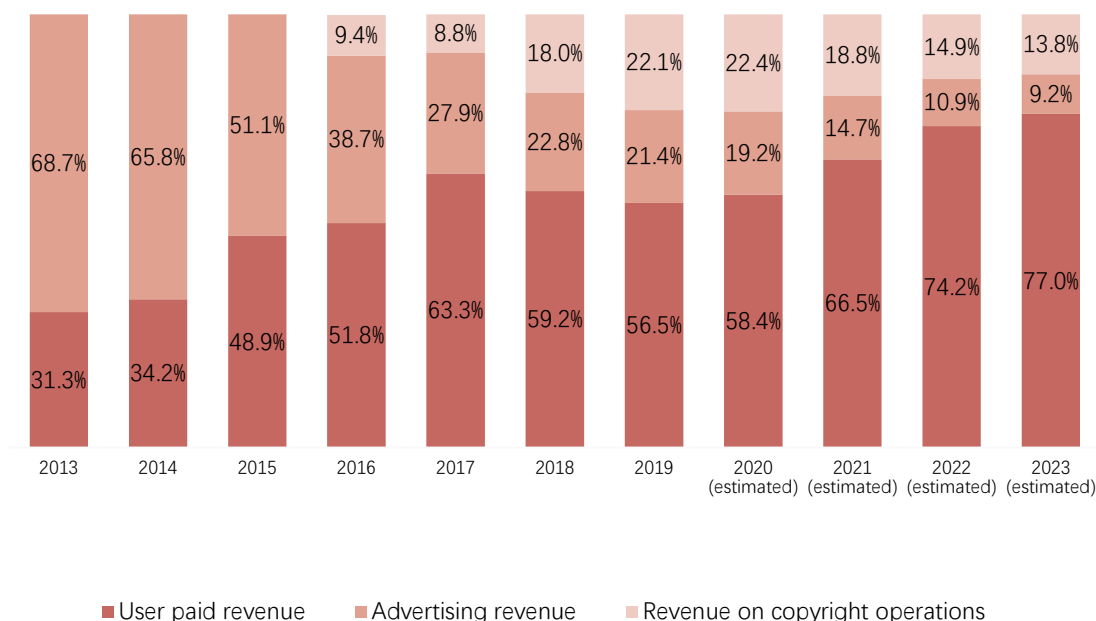


Figure 7. Revenue Distribution of China's Digital Music Market 2013-2023⁶⁰⁹

As shown in figure 7, before 2016, copyright revenue was almost zero. This is mainly due to the inevitable problems caused by backward system construction. Under the favourable external economic environment, the business model of China's Digital Music is still substantially restricted. On the issue of profit distribution of music content, it has ended the development space of content-driven as the core competence (Western Digital Music business model) from the starting point. As mentioned in section 4.1, it is a historical issue of China, and attention has not been paid towards its solution. The music content has a low value in China's economic environment, and it has led to low recognition of the value of music by Chinese consumers. Since 2006, record companies have obtained sales through diversified cooperation with external

⁶⁰⁹ User paid input includes revenue from users to purchase memberships, voice packs, and digital albums on the platform. Completed by researcher. Date Source: iResearch's consolidated corporate financial results and expert interviews, based on iResearch's statistical model. Available at: *iResearch*. Accessed 5 May 2018.

stakeholders — part of the revenue generated by complementary products or services. Accordingly, China's mainstream music platforms have adopted business models such as free trial listening, paid music packages, game value-added, and advertising sharing. Besides, with multiple carriers such as music mobile phones, car music, Bluetooth headsets, and music add-ons have gradually increased, or manufacturers have directly equipped their products with music services to give them more core values. This economic environment has affected the value of music in China's Digital Music Industry.

4.5.2.2 The Value of Music in China's Digital Music Industry

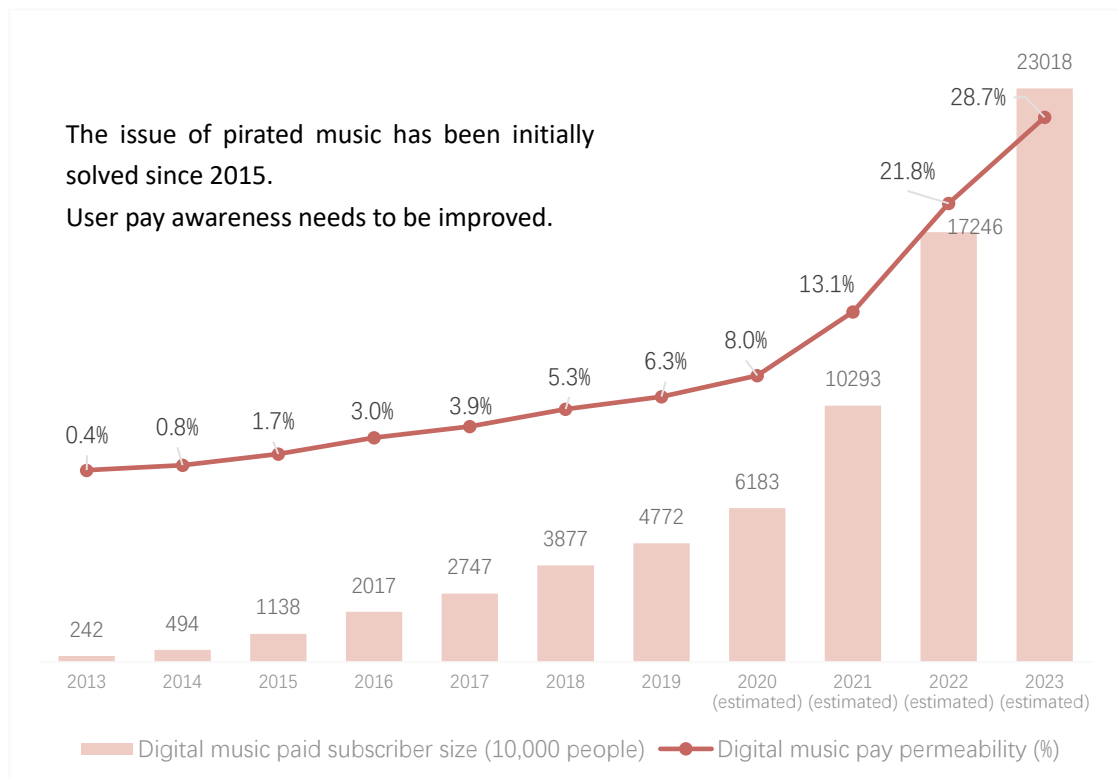


Figure 8. China's Digital Music Pay-per-View Size and Penetration Rate 2013-2023⁶¹⁰

As shown in figure 8, Chinese users started to pay for Digital Music gradually, and it suggests doubling the growth rate of China's data over the past few years. But compared to the U.S. Digital Music user payment rate, which has touched 34.7% in 2017, it is nearly ten times the current level of music user payment rate in China.⁶¹¹ However, the development speed of the Digital Music Industry in China and the development rate of user payments are completely inconsistent. For music platforms, music sales revenue equals the number of user times pay rate and times customer unit price. Moreover, according to the data disclosed by the Tencent Music

⁶¹⁰ Completed by researcher. Date Source: iResearch's consolidated corporate financial results and expert interviews, based on iResearch's statistical model. Available at: *iResearch*. Accessed 5 May 2018.

⁶¹¹ Nielsen Global Media. "U.S. MUSIC MID-YEAR REPORT 2018" 2018. www.nielsen.com/us/en/insights/report/2018/us-music-mid-year-report-2018/# Accessed 23 Dec. 2018

Prospectus (courtesy of interviewer 12, unpublished) the independent monthly active users of its three music streaming media platforms exceeds 800 million (QQ Music accounts for 55 per cent), which is the same as the number of Chinese Internet users in 2017.⁶¹² The monthly subscription and annual subscription systems are mostly used, and the unit price of customers is basically fixed. Therefore, the growth of Digital Music sales revenue depends more on the increase in the payment rate.

Unfortunately, the increase in the user payment rate of China's music streaming media platform has not been as significant as was expected. According to data from the Tencent Music Prospectus, the growth of China's music platform user payment rate has been significantly lower than video platform, and the gap is gradually widening.⁶¹³ In 2017, the payment rate of video websites in China had reached more than five times then Digital Music platform.⁶¹⁴ The slow growth of user payment rates has directly limited the scale of music content sales in China's Digital Music Industry.

This data fully shows that the development of China's Digital Music Industry and its expansion have not increased the value of music. According to interview 2, "there are also other attempts to cultivate paid consumption of music, which are often music derivatives in the forms of video, live show, fans meeting, and so forth".⁶¹⁵ Developing diversified service functions may be the direction of China's Digital Music product's profit orientation. Moreover, it points out that

⁶¹² *Tencent*. "Tencent Music Prospectus." 2018. Internal Tencent report. Unpublished.

⁶¹³ *Tencent*. "Tencent Music Prospectus." 2018. Internal Tencent report. Unpublished.

⁶¹⁴ *Tencent*. "Tencent Music Prospectus." 2018. Internal Tencent report. Unpublished.

⁶¹⁵ Anonymous. Interview No.2. 15 Feb. 2016

China's music market is characterised by large derivative markets and tiny markets for music content.⁶¹⁶ This phenomenon is mainly due to the issue of consumer values, which will be explained in detail in the "Sociocultural Factors" section. Further, from an economic perspective, it can be seen that companies' investment in the music content and the copyright is gradually increasing, but the core profitability of Digital Music in China needs to be explored from other perspectives like consumer habits. As mentioned in section 4.3, Chinese record companies (CPs) are more willing to increase the popularity of singers through free download, which will drive concert ticket revenue and might increase sales of other derivatives. In addition, for Digital Music platforms (SPs), they think of music as a cohesive force that may bring users' together by music service. In Interview 1, as interviewee stated that:

"Need to understand that music does not produce a real profit in this process. The profit we make comes from broadcasting, meaning that we broadcast songs to satisfy some of the audience's expectations, and in this broadcasting process the added value from advertisements brings profit".⁶¹⁷

Music, merely being an influence, needs commercial follow up to earn the profit. It has been the standard rule of the Digital Music Industry. Music itself is an ongoing content consumption

⁶¹⁶ According to interview 2, "the so-called periphery could have two implications in this background. One is the vertical e-commerce companies, emerging from the sale of physical peripheral products. The point store of NetEase Music is such an example, which mainly sells music players, headphones and other peripheral components for music players. The other type of business model is providing peripheral content, which usually focuses on the live streaming of popular performers, such as the live video of music streaming media Alibaba Planet and Kugou Fanxing and other stream live radios. The introduction of live streaming to music streaming media enriches the content and scene greatly. If possible, it can also be introduced to the content of UGC, forming competitive differentiation. In terms of profit potential, live streaming has a more solid realistic basis—favoured by the investment capital and having a clear profit model." It forming a closed profit loop based on the production of the peripheral content of music streaming media.

⁶¹⁷ Anonymous. Interview No.1. 15 Feb. 2016.

demand, and the degree of need of music in people's lives only gets higher and higher, only that the realisation (commercialisation) of the value of music content is compounded with elements outside the audio carrier; such as the battlefield of song pushes and song/star-making industry nowadays has long been extended beyond the context of mere music listening. Regardless of TV shows, films, games and entertainments, as well as all kinds of offline consumption scenarios, music service is one of the most critical components of these experiences in China.

According to the profit model and service experience of the Digital Music Industry, the Digital Music Industry is a social service industry centred on Digital Music works in China. Therefore, the economic benefits of Digital Music are needed to be emphasised, from the perspective of service experience, which requires the operators of Digital Music Industry to strengthen the quality of musical works and the level of service offered by the music.

As mentioned in Chapters 2 and 3, Western strategic management of the Digital Music market is based on the interpretation of the Long Tail theory. In Western Digital Music, the long tail is mainly reflected in the music content. Besides, the personalisation and differentiation trend on consumer demand is a crucial impetus to the development of music-related products. The rapid growth and growing popularity of Digital Music have allowed the coexistence of different music genres; have developed enough customers for non-mainstream music besides increasing the demand for customised service. All these aims to provide a convenient way for customers to find their favourite music at a low cost. According to the Long Tail Theory, the economy of scale makes possible the mass production while sweeping away the individuality in the consumer

demand.

However, consumers are still able to meet their personalised demand due to the massive storage capacity of online music platforms and the availability of search engine, which is characterised by the enlarged audience for the promising music because of the increased diversity in demand. In response to this need, the operating parties launched a personalised recommendation for digital music.⁶¹⁸ The development of Digital Music has changed the value transfer model in the music industry and has saved substantial trading cost for both non-mainstream music and its targeted customer group, thereby contributing to the emergence of new operation model, product form and business model and demonstrating a notable Long Tail effect. In contrast, the long tail is primarily reflected in the differentiation of services according to the actual market demand is mainly service-oriented Chinese market (when music is considered a public resource).

4.5.3 Business Model

In economic terms, when a resource is nonrivalrous – meaning that one person’s use does not pose a rivalry to other’s – the problem is not the demand for the resource- like, music -because it cannot be exhausted. Instead, the essential question is how to make sure that the creators benefit enough from their work, and a business model mainly reflects the same. When it comes to the business model, it is necessary to mention the value chain theory, which discusses mostly

⁶¹⁸ According to interview 14, “there are three common ways of personalised recommendation. The first is to learn what content users with similar traits have purchased and recommended the content to the cohort. The second is to recommend content similar to the content already purchased by the user. The third is to analyse characteristics of the content being purchased and recommend more content that also shares these characteristics. The first two are most widely applied. It is difficult to judge which one of the two means is superior, as they both have advantages in different scenarios.”

the internal issues of a company. The value chain analysis in Porter's competition strategy emphasises the identification of the core competence by analysing the internal enterprise from the perspective of whether it is able to respond to the changes in the external environment in a better way.⁶¹⁹

In essence, the significance of value chain theory lies in its interpretation of the "structural implication" and "dynamic implication" of organisational behaviour.⁶²⁰ It provides a new perspective for the management of Digital Music Industry, allowing managers to gain an insight into company activities at a more macro level and for relationships that are more intricate. According to interview 16, "an integrated industrial value chain has a positive impact on the production and operation activities of the corporation."⁶²¹ The integration of multiple companies in the same industrial chain could significantly improve the efficiency in production and operations, generating a synergetic effect.⁶²² Compared with an independently operated company, a corporation could dramatically reduce the operating cost by sharing the value activities among its businesses, spanning the industrial chain.⁶²³

⁶¹⁹ Enterprise value chain exists in a value chain system that integrates the value chains of suppliers, the enterprise itself, distribution channel and buyers rather than as an isolated component thereby forming a specific value chain-based management model. Michael E. Porter. "The Value Chain and Competitive Advantage." *Understanding Business Processes* vol.1, no. 1, 2001, pp. 50-66.

⁶²⁰ Andreas Meier, and Henrik Stormer. *eBusiness & eCommerce: managing the digital value chain*. Springer Science & Business Media, 2009.

⁶²¹ Anonymous. Interview No.16. 24 Oct. 2016.

⁶²² See from Interview 16 and Stuart J. Barnes. "The mobile commerce value chain: analysis and future developments." *International journal of information management*, vol. 22, no. 2, 2002, pp. 91-108.

⁶²³ See from Interview 1 and 3 in Appendices. China's Digital Music operators are all trying to implement a closed-loop business model. This is because a company with a complete value chain can significantly reduce operating costs by sharing value activities among its businesses in the entire industry chain, compared to companies operating independently.

For example, a vertically integrated corporate group (Tencent will be mentioned in Chapter 5), which incorporates the supplier value chain, could reduce the trading cost and thereby can establish its cost advantage due to the elimination of junction points of trading and management in the marketplace. Once the industrial value chain of QQ Music was formed, many resources were reused for multiple times, creating more value. This theory prompts a thought; take advantage of integrated industrial chain and achieve reciprocity. Companies, from the same industrial chain, should reach a strategic consensus based on information sharing and optimisation of resource allocation, to understand the significance of cooperation between organisations from the perspective of enterprise ecological chain, and to harness their strengths, seek the practical competition approach and mode proactively, coordinate the operations, and refine the profit-sharing scheme. Moreover, theoretically speaking, the value chain of the Digital Music Industry has the characteristics of network structure, providing multiple income streams for each sector, and thereby the long tail effect should be significant. Then, under the influence of China's external economic environment, whether this Long Tail impact is valid or not will directly affect the applicability of western business models, the practice of management theories and strategy formulation in the Chinese context.⁶²⁴

Looking at the evolution of the Digital Music business model, music talents and music products, as the upstream of the music industry value chain, are the source of the entire Digital Music

⁶²⁴ The practical effect of the theory depends on how it gets across and applied from what angle. As mentioned in Chapter 2, the Long Tail impact should be considered a tactical theory without operational effect because its main point is about offering a variety of choices instead of building a business model. Thus, according to interview 12, the Digital Music Industry boundaries are becoming increasingly blurred, all market models converge in a cultural-environmental context. To optimise the Long Tail impact in China's Digital Music Industry, it is necessary to ensure an environment that welcomes diversity, also to recognise and respect "foreignness".

operation. For example, in the United States, where copyright protection is relatively complete, EMI, as the music ownership company of the Beatles, Rolling Stones and Queen, can still make money by regularly releasing the records of these bands.⁶²⁵ For record companies, tapping good music and cultivating musicians is still the key to success. As mentioned in section 4.2, since 2015, China's music platforms have launched programs to support musicians as well. This shows that all links in the value chain in the industry are actively digging for resources. For the discovery of content resources, Chinese and Western Digital Music is a similar model. But in the process of how to commercialise content, China has developed several business models that differ from the West and are fit for only China's unique environment.

4.5.3.1 Economic Environment Causes the Difference Between Chinese and Western Digital Music Business Models.

The primary source of income, for a typical western music-streaming platform, consists of two primary sources; music sales and advertising. Music sales revenue refers to the income derived from the sale of music content, which is mainly reflected in the form of subscription fees or membership fees.

According to data released by two major music streaming platforms; Spotify and Pandora, subscription fees and advertising revenue account for more than 90% of total revenue.⁶²⁶ The

⁶²⁵ Arthur Bernstein, Dick Weissman, and Naoki Sekine. *The Global Music Industry: Three Perspectives*. London, England: Routledge, 2013.

⁶²⁶ Kate Swanson. "A Case Study on Spotify: Exploring Perceptions of the Music Streaming Service." *MEIEA Journal*, vol. 13, no. 1, 2013, pp. 207-230.

main revenue structure of Chinese music platforms is similar to Spotify, with subscription revenue accounting for more than half of the income.⁶²⁷ According to the Tencent Music Prospectus, China Music Corporation (the company where Tencent Music later merged Kugou and Kuwo) generated music sales revenue of RMB 397 million in the first half of 2016, while advertising revenue was only RMB 90 million during the same period, which was 1/6 of the music sales income.⁶²⁸ The reason, why the Chinese music platform's advertising revenue is relatively low, is mainly due to the poor compatibility between the music streaming media and the advertisement; generally, users tend to do other things while listening to music. Thus, users do not always pay attention to the platform itself, which makes the advertising effect and conversion rate of the platform extremely limited. It is also mainly affected by a fact of technology and living habits, that is, the penetration rate of Chinese smartphones is very high, and Chinese people are more accustomed to using smartphones to listen to music than using computers for the same purpose.⁶²⁹ Chinese people also have different opinions about receiving advertisements while listening to music, which will be discussed in detail in the later section.

Chinese and Western Digital Music platforms have a similar revenue structure, which brings a question of why business models are getting diverse with development. There is also a large gap in payment rate between Chinese and Western music platforms. As mentioned earlier, the user

⁶²⁷ Hao Wu. "Dou Ban Shi Shui Fu Fei Shu Zi Yin Yue." *Digital Times*, vol. 3, no. 1, 2013, pp. 57-79.

⁶²⁸ *Tencent*. "Tencent Music Prospectus." 2018. Internal Tencent report. Unpublished. pp. 574-575.

⁶²⁹ According to interview 3 and 11, "China now boasts a great many apps and services that play a dominant role in areas such as mobile payment and sharing economy". For the service-centric Digital Music model in China, convenient payment methods and excellent music software are the biggest driving forces. See also from, Dejun Huang. "Xin Mei Ti Shi Dai Wo Guo Shu Zi Yin Yue Chan Ye De Fa Zhan Tu Jing." *Theory Monthly*, vol. 4, no. 3, 2012, pp. 77-89.

payment rate of Tencent Music's music sales business is 3.9% in 2017, while Pandora's payment rate reaches 8%, and Spotify's payment rate exceeds 40%.⁶³⁰ The research believes that the key reason of yielding more payment by Western music streaming media in contrast with Chinese music platforms is different service content; many Chinese music platforms provide free services, but to Western music platform users, the only way to enjoy these features is by purchasing a subscription.

A comparison of Spotify's subscription service with QQ Music's green diamond membership reveals that core functions, such as song selecting, free song skips, and offline listening, are all included in the paid subscription on Spotify. In visitor's mode, songs can only be played randomly, song skips are limited, and songs cannot be deleted from the playlist as well. Not only that, Spotify inserts 15 seconds of ads for every 3-5 songs listened by non-premium users.⁶³¹ Compared to the patch ads on Chinese platforms, insert ads damages the user experience in a more obvious way. Even so, Spotify is still being regarded as a representative of "free music" abroad. Other western music platforms such as Pandora have even stronger restrictions on non-membership users. Some platforms such as Apple Music only provide non-membership users with a three-month free trial, and users have to subscribe after three months for further usage. In contrast, almost all Chinese music platforms, represented by QQ Music, provide users with nearly all core services of music streaming for free, while paid membership only includes high-quality auditions and downloads, free of advertising, privileged logos, etc., which are relatively

⁶³⁰ Patrick Burkart. "Music in the Cloud and the Digital Sublime." *Popular Music and Society*, vol. 37, no. 4, 2014, pp. 393-407; Luis Aguiar, and Joel Waldfogel. "As streaming reaches flood stage, does it stimulate or depress music sales?." *International Journal of Industrial Organization*, vol. 57, no. 1, 2018, pp. 278-307.

⁶³¹ Kate Swanson. "A Case Study on Spotify: Exploring Perceptions of the Music Streaming Service." *MEIEA Journal*, vol. 13, no. 1, 2013, pp. 207-230.

marginal services and are not valuable to users. It can be suggested that the paid services, based solely on music content, have poor feedback in China.

Western music streaming platforms, such as Spotify, have succeeded in gaining a higher payment rate by weakening the experience of free users, but there is no doubt that this model is not feasible in today's China.⁶³² According to interview 14, "the age of the internet is service-oriented. What users need is not only quality content online but also a personalised consumption experience, particularly the service they are offered".⁶³³ While listening to music, Chinese people also have different views on receiving advertisements. The experience of using Digital Music products and services is more important. In the atmosphere of providing free music core services in China, if any music platform starts to restrict free users to such a high degree, it will inevitably lead to a large number of lost user and bringing down the total revenue eventually. Therefore, the way to imitate the Spotify model to ensure an increase in the platform user payment rate is not viable in China.

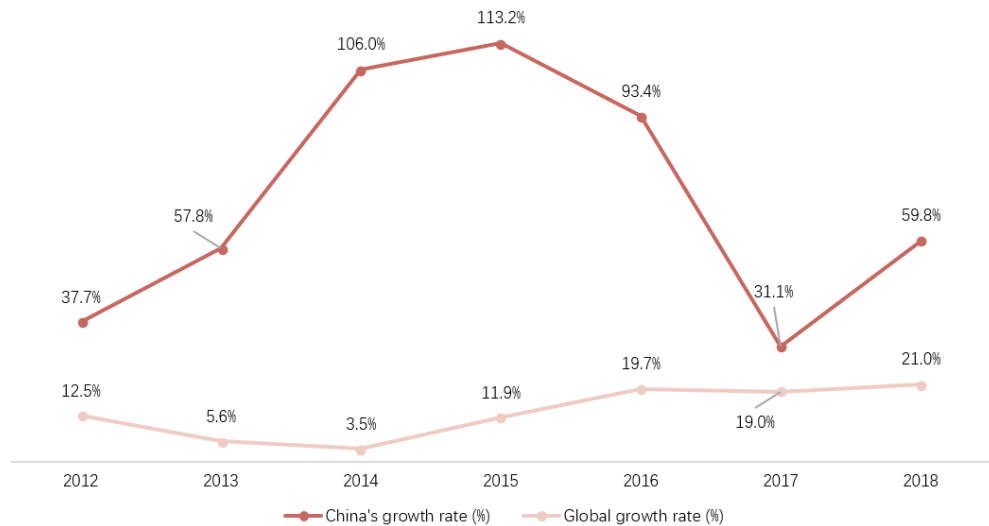
4.5.3.2 The "Scale Effect" of Music Streaming Platforms Does Not Exist for Content-Driven Digital Music Business Model.

In general, the profitability of Internet companies depends upon the realisation of the Scale Effects, which is to invest in high fixed costs to acquire users. When the size of users expands to

⁶³² Lessin, Jessica E., and Hannah Karp. "Apple Music Streaming to Debut --- Tech Company on Monday Expected to Unveil Service that would Compete with Pandora, Spotify." *Wall Street Journal*, vol. B, no. 4, 2013, pp. 62-66.

⁶³³ See from Interview 14 in Appendices.

a certain threshold, the characteristics of corporate bargaining power and the low marginal cost of the Internet become apparent, and its revenue growth rate will be higher than the growth rate of cost, leading to a continuously rising profit rate.⁶³⁴ However, for music streaming platforms, the Scale Effect is not that obvious due to high copyright costs. It is the biggest obstacle to the profitability of music platforms as Internet-related enterprises.



2015: High-speed growth points driven by policy.
 2016: A growing user-billing awareness, especially among the younger generation.
 2017: Ad revenue growth slows and other business models are still in the exploratory period, so there is a “cliff-cut” decline.
 2018: Development of fan economy and China’s unique business model.

Figure 9. Comparison of China’s Digital Music Revenue Growth Rate with Global Digital Music

Revenue in 2012-2018⁶³⁵

As shown in figure 9, the global Digital Music revenue is gradually increasing (but it does not

⁶³⁴ Sunil Mithas, et al. “Information technology and firm profitability: mechanisms and empirical evidence.” *Mis Quarterly*, vol. 36, no. 1, 2012, pp. 205-224.
⁶³⁵ Completed by researcher. Date Source: *Tencent*. “Tencent Music Prospectus.” 2018. Internal Tencent report. Unpublished

necessarily mean that the profitability is rising). However, it also encounters an obstacle that has limited the space for income growth in 2017, due to saturation of the market, which brought the growth rate of the number of users to a standstill. In accordance with Interview 12, the fundamental reason is that the development of the global Digital Music Industry business model cannot meet the needs of users.⁶³⁶ The external environment of the industry is changing fast, where the phenomenon is even more exaggerated in China. It led issue cannot be solved temporarily that continuously changing consumption pattern cannot cultivate users' consumption habits for Digital Music. However, a comprehensive comparison of the changes, in Chinese and Western Digital Music business models under this influence, may bring a better understanding of how the variance in development tactics of Digital Music management is affected by the economic environment.

Spotify can be taken as an example. Being one of the largest music streaming media in the market, with the increase of the revenue scale, the cost of Spotify still keeps rising at a flat rate. According to the Spotify prospectus, the cost of Spotify has continuously increased in the five years from 2013 to 2018, averaging 80% to 90% of its total revenue, out of which content costs account for about 75% of the total cost.⁶³⁷ It shows that, unlike other Internet companies, every earned dollar will bring a considerable amount of cost to Spotify, and high marginal cost means that the size effect enjoyed by Spotify is very limited. The main reasons for the insignificance of the Scale effect in music streaming platforms are the high bargaining power of the upstream content side

⁶³⁶ Anonymous. Interview No.12. 18 Aug. 2016.

⁶³⁷ Ayla McDonald et al. "Prospectus, November 1, 2018." 2018; Karel Lannoo. *Spotify's US listing highlights Europe's failings*. No. 13566. Centre for European Policy Studies, 2018.

and the “piece-rate” mechanism of the Digital Music Industry.

The services provided by typical music streaming platforms are very similar, and the conversion cost of content-side cooperation platforms is almost zero in China. On the other hand, due to the high stickiness of music and artist’s products, Chinese users usually follow musicians rather than music platform itself, so music platforms must have enough content resources in order to “lock” the users in. Therefore, the music-streaming platform’s bargaining power on the upstream content side is quite limited. Even if the platform has acquired a considerable degree of market position, as long as the leading artist flees to other platforms, its market share will drop significantly, which also weakens its suppressing effect of platform market position on content costs greatly. For example, after the emergence of China Music Company (former Ocean Music Group) in mid-2016, Tencent Music’s platforms have consistently remained on the top three of mobile music app users, and these three Tencent Music platforms together account for more than 80% of the total market user population.⁶³⁸ At the same time, Spotify also occupies a considerable amount of market abroad, which is beyond a half.⁶³⁹

The market position of these two platforms is considered quite high, but the high copyright royalties paid has not been reduced despite their “royal” position. Ironically, when China’s Digital Music platforms used to use Chinese music content, produced by Chinese, these cost a

⁶³⁸ Zheng Song. “Shu Zi Yin Yue Wu Ji Xian.” *Hownet Weekly*, vol. 17, no. 4, 2018, pp. 130-134; Jeffrey Melnik. “China’s “National Champions” Alibaba, Tencent, and Huawei.” *Education About ASIA*, vol. 24, no. 2, 2019, pp. 28-39.

⁶³⁹ Hyojung Sun. “Case Study—Spotify.” *Digital Revolution Tamed*. Palgrave Macmillan, Cham, 2019. 135-170.

little before 2015, due to some historical reasons mentioned in the previous Chapter (collective copyright management and institutional lags in official organisations). However, the low-cost operation, caused by this factor, has indeed promoted the development of China's Digital Music Industry, and it has also allowed China to pursue more innovation in the business model of Digital Music.

Another important factor that hinders the Scale effect of the platform is the royalty mechanism for the piece-rate payment in the music industry. According to a private contract between Spotify and Sony Records (disclosed at the end of 2014), Spotify pays Sony Records "subsistence allowances" in varying amounts each year in advance, with a maximum of \$ 17.5 million and a minimum of \$ 9 million.⁶⁴⁰ At the same time, for each song, played by a user on Spotify, the record company will extract 70% of the revenue from the song playback as royalties (approximately 6 cents to 8 cents). If the total amount of royalties that the record company draws during the year is higher than the "subsistence allowances", Spotify needs to make up the price difference; but if the total amount of royalties is lower than the "subsistence allowances", the record company does not need to refund the difference.⁶⁴¹ It is already known that the highest cost of music streaming is the royalty, and the "piece-rate" royalty mechanism causes the total amount of royalties to increase proportionally with the number of users. According to the Spotify prospectus, the most important factor that drives Spotify's rising costs in recent years is the

⁶⁴⁰ Lee Marshall. "'Let's Keep Music Special. F—Spotify': On-demand Streaming and the Controversy Over Artist Royalties." *Creative Industries Journal*, vol. 8, no. 2, 2015, pp. 177-189.

⁶⁴¹ E. Jordan Teague. "Saving the Spotify revolution: Recalibrating the power imbalance in digital copyright." *Case W. Res. J.L. Tech. & Internet*, vol. 4, no. 1, 2012, pp. 207.

increase in royalties and operating costs, caused by the growth of users.⁶⁴² This confirmed the high marginal cost of Spotify.

The situation of Chinese music streaming media platforms is similar. According to the prospectus of Tencent Music, the copyright contract signed by Tencent Music and the record company is very similar to Spotify's since 2015.⁶⁴³ It uses the "minimum guaranteed license fee + revenue-sharing" model to pay royalties, but specific data is not allowed to be disclosed. The number of user bases in China is even larger, so in response to this situation, a fully content-based business model is bound to be inconsistent with China's market environment. This new copyright pressure has further boosted the development of other business models in China.

4.5.3.3 Digital Albums

Digital albums and digital singles are China-specifics, but the researcher believes that due to its limited size and high volatility, also comparing with subscription revenue, they cannot serve as the core source of income for music platforms. On the one hand, according to data disclosed by the Tencent Music Prospectus, the subscription fee revenue of Tencent Music in 2017 was 184 million yuan, accounting for 58.4% of the total music sales revenue, which was 315 million yuan.⁶⁴⁴ The remaining 41.6% included digital singles and albums sales, sub-licensing income, advertising income, and income from music-related peripherals and peripheral sales, showing that there is a large gap between the overall scale of digital singles and album sales and

⁶⁴² Ayla McDonald, et al. "Prospectus, November 1, 2018." 2018.

⁶⁴³ *Tencent*. "Tencent Music Prospectus." 2018. Internal Tencent report. Unpublished.

⁶⁴⁴ *Tencent*. "Tencent Music Prospectus." 2018. Internal Tencent report. Unpublished. pp.590.

subscription fee income.⁶⁴⁵ On the other hand, the sales of digital singles and albums are closely related to the “breaking news” in the music market. When well-known musicians launch new works or if other “breaking news” appears, the sales of digital albums and singles will rise rapidly and also drop rapidly when the news lose popularity. Therefore, for a music platform, based solely on Digital Music sales, the sales of digital albums and singles are highly volatile and also highly dependent on the creator of the music content. Digital albums should not be considered as revenue support for music platforms. However, it can be seen as an essential part of music content merchandise in the fan economy.

4.5.3.4 Same “Freemium” Model with Different Development Direction

Freemium is the result of the compromise between business profit and the habit of users, after gaming among various parties.⁶⁴⁶ The current form of freemium of music streaming media is a free membership, which offers the privileges of advertisement-free, cloud sync and lossless downloading. Freemium is one of the established business models of the music-streaming platform in both China and the Western market.

From a user’s perspective, the most valuable part of the Digital Music streaming platform is the music itself, as listening to music is the hard demand. It is the similarity of all Digital Music

⁶⁴⁵ Xiaobo Cao. “Zai Xian Yin Yue He Feng Fu Duo Cai De Yin Yue She Qu Fu Wu ——QQ Yin Yue.” *Vip Chinese*, vol. 3, no. 2, 2017, pp. 101-111.

⁶⁴⁶ A portmanteau of the words “free” and “premium”, is a pricing strategy by which a product or service (typically a digital offering or an application such as software, media, games or web services) is provided free of charge, but money (a premium) is charged for additional features, services.

platforms. However, in the western Digital Music Industry, it is undoubted that freemium provides a membership experience for users instead of adding content while music is treated as a public resource in China. Mainstream Digital Music platform companies in China have the same music library (exclusive copyrighted songs do exist, but due to the macro-control of the state on the digital market, most songs have been popularised through mutual authorisation between platforms).⁶⁴⁷ For consumers, because it is easy to find the music anywhere, the primary demand of Chinese consumers is shifting from music content to the convenience of music services or the quality of music services.

There is no fundamental difference in content between these two forms, but the type of content carrier differs. According to interview 12, “like China where penetration of mobile networks and smartphones is very high”.⁶⁴⁸ The content carrier for music streaming platform is mainly a mobile network in China. Music streaming media makes it possible to play music as needed on most occasions, this advantage can be reinforced with the improvement in the mobile network, and it may finally drive Digital Music downloading out of the market. Therefore, the value added by lossless music downloading will diminish in the long term. It is a common problem being faced by all Digital Music industries.

As mentioned earlier, the freemium model in music streaming media is a bit all-embracing. For

⁶⁴⁷ According to interview 2, “we must increase the number of users, and it comes down to managing public resources”. The seemingly similar business models have brought different results orientation. In the process of learning the Western Digital Music model, China has replaced content products with service products and achieved profitability.

⁶⁴⁸ Anonymous. Interview No.12. 18 Aug. 2016.

users who only want to listen to free music, the embedded advertisement and other restrictions reduce their experience considerably, which might induce distaste among them. However, in the Western Digital Music market, it is an effective way to charge for music. For instance, user experience has been reduced by either the increased advertisement or removed cloud service, which would stimulate users to pay for a better experience. Although consumers may feel unpleasant, there would be a high probability to pay for the sake of a better experience. However, the core of China's Digital Music business is about services, and if China's Digital Music platforms sticking to same, as being practised in Western Digital Music market, the Chinese customers will consider it is to degrade the quality of the service which reduces the public impression of the platform.

Meanwhile, in a value-added service mode, no "rewards" but only "punishment" measures, it is tough to make customers coherent with payment. Especially when it comes to Chinese consumers' value perception of the paid services, it can be suggested as having shallow grounds. Digital Music-related management strategies, generated in a western cultural context, are challenging to implement effectively in China, with such preconditions.

Since intellectual property rights started to penetrate the ecology of internet content, the so-called marginal effect has no longer been the key to the success of the Internet industry. The strict regulations, on the copyright of music, are also changing the traditional business model of music streaming platforms in China, which used to achieve competitive advantage through investment splurge. It also has driven China to develop a wider variety of freemium models such as green

diamond, online concert, QPlay project, digital albums, music e-commerce, etc. These contribute to the content diversity of the music streaming media as well, thereby forming a closed profit loop, based on the production of the peripheral content of music streaming media.

In China's Digital Music Industry, a "music + industry" industry integration is the inevitable development trend. The industrial boundaries between the various sub-sectors within the music industry are consistently being breached under the penetration of technology and capital, which form a new industrial ecology based on maximizing the value of user needs. The Digital Music Ecosystem that QQ Music is working on is a good example strategy for competition in China's Digital Music market.

In the Western Digital Music market, Freemium services are not as successful as expected, and although they have earned considerable revenue, still not profitable. A typical example is Spotify, which has yet been unable to prove profitability even after ten years in business.⁶⁴⁹ Moreover, the increased number of users also contributed to a more significant debt to cover operating costs, which is the consequence of the unsuccessful freemium model. By contrast, in the Chinese market, most online music platforms, only play a role in building up the influence of the company, and it makes it necessary to explore further business lines to increase the revenue. In such a scenario, the Chinese Digital Music platforms have developed more variety of freemium services through a non-market strategy which suitable for its environment. Among them, QQ Music has

⁶⁴⁹ Fleischer, Rasmus, and Pelle Snickars. "Discovering Spotify-A thematic introduction." *Culture Unbound: Journal of Current Cultural Research*, vol. 9, no. 2, 2017, pp. 130-145.

discovered its unique profit path of freemium, which is mainly based on the benefits of fan economy and making it the only profitable Digital Music platform in China since 2016.

4.5.4 The Effect of Fan Economy Under the Social Networking Services Layout

Fans' extraordinary enthusiasm, for an object, may be difficult to understand, but for them, what matters most is the sense of participation and satisfaction in the process. In the context of a Digital Music platform with SNS function, fans show stronger active participation, have specific organisational capabilities, and influence upstream content production with a more significant say. Generally, it has an apparent fan following characteristics.

On the one hand, fans have an absolute consumption power, especially in the new fan model of trending material brought by a talent show. Fans' emotions, positions and consumer tendencies are more easily guided and widely spread through social platform channels. Fan groups can quickly generate a transition, from psychological "love" to material consumption, around the central connection point of the followers. For fans, the consumption process involves a kind of self-interest. The consumption of the subject, when their consumption process brings changes in awareness, influence and economic income, to the person being followed while fans are happy for the "idol". Fans will also generate self-movement because of this "paying" power, which is what John Fiske calls "meaning and pleasure related to one's social situation."⁶⁵⁰

⁶⁵⁰ John Fiske, and Lisa Lewis. "The Adoring Audience: Fan Culture and Popular media." *The Cultural Economy of Fandom*, vol. 1, 1992, pp. 30-49

On the other hand, group awareness of fans is intense. The convenience of the internet has made it easy for individual fans to find communities having similar inclinations and interests. In the age of niche consumption, this phenomenon is for not only popular and catchy pop music, but also a certain number of fan groups also exist for rock, folk, hip-hop and other minor music genres.⁶⁵¹ The pop music fan group on a particular note usually organises its work internally. It sets up different working groups, majorly consisting of its fans, like “playing group”, “fundraising group”, “control group”, “art group”, etc. In various groups, the consumption-individual behaviour is more offset and disintegrated, forming an idol to support such collective activities to bring “identity” to such groups. The Chinese people respect collectivism more than the West and have a certain herd mentality. Therefore, QQ Music’s platform for Digital Music has more social factors, and many music products and services promote interaction between users.⁶⁵² Chinese Digital Music has taken advantage of the fan economy to shift its differentiation strategy from music content to music services and social in music. According to interview 19, “with the extension of entertainment, the characteristics of the fan economy of digital music are increasingly prominent, especially in the field of online performing and online live broadcast”.⁶⁵³ Fan economy is the efficient way to make money for digital music in China. Thus, fans’ consumption behaviour is different from ordinary consumers, but as group effects are particularly useful in China, fan behaviour can bring additional consumers to the Chinese

⁶⁵¹ Sanjeev Dewan, and Jui Ramaprasad. “Social media, traditional media, and music sales.” *Mis Quarterly*, vol. 38, no. 1, 2014, pp. 101-122.

⁶⁵² As mentioned in Chapter 6.

⁶⁵³ Anonymous. Interview No.19. 30 Oct. 2016

Digital Music market in contrast with the West.⁶⁵⁴

4.5.4.1 Platform Marketing and Fan Consumption

Fans have a fixed consumption power, and their consumption behaviour is dedicated, persistent and habitual.⁶⁵⁵ Based on this feature, in China's Digital Music Industry, various music listening platforms have tried to develop different fan marketing models to inspire fans' consumption behaviour to ensure user stickiness and direct music consumption to the platform to expand market share. QQ Music focuses on social music in contrast with other music platforms in China, who more or less embed social factors in the platform content and channels, such as bullet comments and reviews, music chat rooms, recommendations of articles and music reviews or front page, sharing interfaces connected with different social platforms. For fan groups, the introduction of social elements is conducive to the sharing and exchange of information between groups and the promotion and diffusion music by favourite music stars; for the platform, it can bring more fans and other audiences to enter and increase the platform's influence.

Taking the performance of fan charts as an example, because the performance of artist songs can directly reflect their popularity and popular preferences, affecting award selection at the end of the year, the fan group usually organises fundraising or audiences during the artist song

⁶⁵⁴ Fenglong Fan. "Zhong Guo Zai Xian Yin Yue De Shang Ye Fa Zhang Mo Shi." *Economic Herald*, vol. 2, no. 2, 2015, pp. 111-118; Wei Zhou. "Qian Xi Zhong Guo Zai Xian Yin Yue Shi Chang De Wen Ti Ji Qi Mei Hao Qian Jing." *Modern Business*, vol. 3, no. 2, 2018, pp. 134-141.

⁶⁵⁵ Scott, Suzanne. "Repackaging fan culture: The regifting economy of ancillary content models." *Transformative Works and Cultures*, vol. 3, no. 1, 2009, pp. 1-11; Daragh O'Reilly, et al. *Music, markets and consumption*. Oxford, Oxfordshire: Goodfellow Publishers Limited, 2013.

promotion period. Fan's "refresh" count of the song's play share and comment to help songs get better rankings. As an increasingly popular form of artist's new song release, the release of digital albums and digital singles on online music platforms directly brings purchases or even repeated purchases to increase sale.

According to interview 2, "if I have 100,000 fans, I would be in a good position with the capability to do music-oriented business".⁶⁵⁶ The fan economy changes the focus of musicians' work and pushes them to communicate more with fans. Fan economy is a benefit to the expansion of derivatives markets. Fiske believes that in the "fight" between fans and the cultural industry, fans will perform an anti-collection on the cultural industry products.⁶⁵⁷ For China's Digital Music Industry, fans become an additional market, not only they often buy a large number of derivative products, but they also provide many valuable and free feedback on market trends and preferences. Back in the Digital Music Industry, support for idols is not only reflected in indirect consumption activities such as buying digital albums and giving virtual gifts, but also in the fans' derivative products with imprints of music idol's related works which makes the fan group itself a reproducer which make song covers, adaptation, and production of peripheral derivative works of music. This comes purely from the fans' enthusiasm, or the urge to collect, which forms a continuous and extended consumer demand to a certain extent. It has led to the expansion of China's Digital Music derivative market. However, compared to other Internet content industries, the derivative market of Digital Music is still in its infancy. According to

⁶⁵⁶ Anonymous. Interview No.2. 15 Feb. 2016

⁶⁵⁷ John Fiske, and Lisa Lewis. "The Adoring Audience: Fan Culture and Popular media." *The Cultural Economy of Fandom*, vol. 1, no. 1, 1992, pp. 30-49.

interview 19, “the direct interaction between content producers and users in the Digital Music Industry currently requires content producers to adjust the direction of content production through feedback from consumer preferences.”⁶⁵⁸ Based on the consumer preferences of fans, it is questionable whether there will be more forms of development in consumer extension.

4.5.4.2 Platform Building and Cultivation of New Fans

With the development of the Digital Music Industry, the relationship between music platforms and fan groups is not only limited to fan groups entering the platform to support idols, purchasing albums, and other consumer behaviours. The creation and promotion of “musicians” and “new internet celebrities”, cultivate new fan groups and achieves maximum immersion through full participation. For example, Tencent Music Entertainment Group Musician Program and Xiami Music’s Plan to provide exposure channels for original musicians through the integration of platform resources, help musicians get rewards and attract new fans, through the cooperation of the platform and musicians, and develops into a three-way bundle of platforms, musicians, and fans. The “Music+” project from QQ Music also indicated the Digital Music platforms continue to expand their business scope from SP to CP. With the creation and promotion of “musicians” and “new internet celebrities”, SP began to occupy the upstream entrance of Digital Music with considerable initiative and uniqueness. Digital Music platforms have started to seek new competitive advantages from industrial roots (music content), and through the development of core capabilities, to merge related industries and compete across industries. In essence, this also

⁶⁵⁸ Anonymous. Interview No.19. 30 Oct. 2016

proves that SP is the strongest force in China's Digital Music market.

Fan economy can improve the optimisation of the industrial ecological chain. As mentioned in earlier, the Digital Music Industry chain is composed of music content providers, music copyright organisations, music service providers, equipment manufacturers, telecommunications operators, technology developers, and households. Among them, content providers (record companies and Individuals), service providers (mainly represented by an online music platform), and users are the fundamental constituent elements. There is a two-way value flow between the three. As a part of users, the fan group can have an effect on the optimisation of the Digital Music Industry chain based on the value connection and flow between various links, forming an open, cooperative production model and a harmonious industrial ecology. In addition to bringing connections between upstream content creators and fan consumer groups, as a music service provider, the music platform itself can attract fans, but the characteristics of the fan group are not very obvious. This group will defend its interests and carry out spontaneous and vigorous publicity. As mentioned earlier, once users have fan worship of a music platform product itself, it is a benefit for continued long-term development. Like the QQ Music, it focuses on providing multi-level service and research and develops various hierarchical membership systems, which reflect privileged services on service differences and deepen user loyalty and stickiness to its music products.

4.5.4.3 Cultivation and Supervision of Content Providers

The production chain of Digital Music usually starts with company proposals about song and

song creation.⁶⁵⁹ Music works are arranged, sung, and recorded to form digital works and stored in digital format. After registration with the Music Composition Association, record companies or agencies authorise copyright holder to access online music platforms and then enable it to reach users. Music works from idols is an emotional bond that connects fans and their idols, and the consumer behaviour; thus, they generate, mainly occurs directly on the music platform and is an indirect communication and interaction with record companies and musicians. However, the music crowd-funding model, based on the fan effect, has formed a direct interaction between musicians and fans, that is, between the main body of content creation and users. Many musicians can no longer rely on the help of investors to release music, and users can directly participate in and decide on the production of music products. This “pre-sale + group purchase” form makes full use of the Internet to gain the attention and support of the audience and finally raises the necessary financial assistance. In music crowd-funding projects, fans are undoubtedly making up the majority of the population of the supporters, and music can spread even further and reach other crowds through fans. This process is mainly based on the trust relationship between the initiator and fans. Fans have a stronger sense of participation and immersion in the process of creating the work or stage for the person being followed. Like QQ Music, while providing music services, it also provides a more convenient platform for consumers to exchange music and allows consumers to build their fan communities on their platforms. It also allows fans to directly contact and make connections with their favourite singers in the online

⁶⁵⁹ Jesse Bockstedt, Robert J. Kauffman, and Frederick J. Riggins. “The move to artist-led online music distribution: Explaining structural changes in the Digital Music market.” *Proceedings of the 38th Annual Hawaii International Conference on System Sciences*. IEEE, 2005.

community.

For the CP, the content originality department is the core link of the industry. In the Digital Music Industry, the record companies and individuals who create and produce music works, are at the upstream of the industry chain. A large number of music products play an essential role in the whole operation of the industry chain. Whether it is a digital album or single sales or music crowd-funding projects, audiences (fans) take the initiative to consume music directly. The flow of funds and preference feedback it brings can play a role in upstream content production. For record companies, the exclusive copyright licensing income and digital song sales revenue have become essential sources of profit and the company has invested in content innovation reserve funds. For musicians, especially Internet traffic idols (Internet celebrity), support of fans are key resources. Interaction with fans is an intangible commitment and urgency demands. Internet celebrity needs to give fans a material or content return. This requires musicians to produce high-quality works efficiently to continue to gather the centripetal force of the fan group. In this case, QQ Music, which builds with the social and interactive function that fully, meets the needs of various parties.

4.5.5 Changes in Value Proposition

On the organisational side, the introduction of new activities requires significant changes to the combination of resources and capabilities, as mergers and acquisitions in China's Digital Music Industry have dramatically changed the value proposition. With the development of new activities, China's Digital Music business model has shifted from a record-oriented (content-

driven) business model to a music product-oriented (experience service plus music goods) business model.

4.5.5.1 Value Proposition: Bundled Value Proposition

When Digital Music Industry operators work with external stakeholders, the organisational dimension and value proposition of the industry are transformed. However, partnerships with external stakeholders have enabled the recording industry to develop alternative sources of revenue but creating more value does not necessarily lead to more profits. Like QQ Music, it has cooperated with companies in different industries to promote QQ music. The purpose is not to make profits through these cooperations, but to increase the influence of their products in the whole society. Therefore, QQ Music is willing to pay monetary benefits in exchange for social power, which is also a reflection of non-market strategies.

4.5.5.2 Content Innovation Enhancement from Homogenisation to Personalisation,

The traditional music industry value chain has the characteristics of a single linear activity. The sales channels and methods of music mainly depend on sales outlets. The non-relevant value subjects lack interaction, and there are intermediary obstacles in the process of value flow. However, as the development of network technology becomes more convenient and intuitive, user autonomy is improved, and the speed of information and resource dissemination is accelerated, gradually forming a two-way flow of all links in the value chain, achieving interoperability among all connections, and reducing multiple intermediary barriers, so that the users' experiences and feelings can be directly conveyed to the music subject. Therefore,

grasping feedback, meeting users' needs, and providing personalised services have become the key for Digital Music companies to stand out from the homogeneous competition.

4.5.5.3 Value Creation: From Single-Resource to Multiple Integrations, the Characteristics of Crossover Cooperation and Integration of Enterprises Are Obvious

With the weakening of corporate boundaries, record companies cannot use their internal resources to promote and release albums to maximise profits. Cooperating with external stakeholders or bundling complementary products has become a manifestation of many companies' use of external resources. By integrating with external resources or outsourcing internal resources, companies can maximise the advantages of complementary resources and reduce asset investment. Under such circumstances, the social influence brought by QQ Music's previous non-market strategy has opened up a gap with other companies. In the market, it can quickly gain a competitive advantage in new areas with the favour of consumers and the government.

For example, a music service provider is an essential factor in the dissemination of music content, including service providers, platform operators, telecommunications operators, etc. As a content provider, record companies have formed a diverse cooperation model with them. As the Digital Music business model evolves, it continues to collaborate and share resources with external stakeholders, and the industry's partnerships continue to deepen. Digital Music uses its creative content and other resources and complementarily capabilities (such as community networks, infrastructure Facility network and storage). QQ Music relies on social influence and the

influence of its parent company Tencent which will make QQ music easier to reach cooperation with other companies or obtain better conditions for partnership.

4.5.5.4 Value Realisation: From Free to Cross-Payment, Expanding Multiple Income Channels

In the early days, due to inadequate copyright protection in China, the development of piracy was rampant and affected by free trials; the objective of online music service charging could not be achieved. According to interview 12, “China's digital music forms a diversified music industry chain, and on this basis, various links in the industry chain effectively cooperate and interact to form a complete ecological business system gradually”.⁶⁶⁰ Now the music industry has developed from a top-down single-line value-added entity to a multi-integrated value creation system. Cooperation between the leading players in the industry is higher than the competition, and the unification of the value chain of corporatisation is apparent. The channels of income generation are continually expanding. According to interview 16, “This provides a new perspective for the management of the Digital Music Industry, allowing managers to gain an insight into company activities from a more macro level and more intricate relationships”.⁶⁶¹ It allows China's Digital Music Industry to develop more business models. For example, as a content provider, record companies can collect copyrights from service providers, platform operators, telecommunications operators, etc. Meanwhile, Digital Music platforms are also able to obtain performance revenue shares by hosting online or offline concerts. As a service provider's music platform, in the case where China's Digital Music charges cannot be fully

⁶⁶⁰ Anonymous. Interview No.12. 18 Aug. 2016.

⁶⁶¹ Anonymous. Interview No.16. 24 Oct. 2016

realised, many Digital Music platforms have adopted new profit models cover the cost of the copyright.

4.5.6 Sociocultural Factors

Digital Music consumers' purchasing behaviour depends on their needs and desires. Human needs, motivations and purchasing behaviours are subject to multiple factors. For examples, Consumers' Digital Music needs will expand continuously with the development of the economy, the increase of income and the broadening of the horizon. Their cultural standards influence consumers' real needs, subjective preferences and the surrounding environment, that is the impact of society on Digital Music (In China's Digital Music, its Sociocultural factors are mainly influenced by Political Factors and Economic Factors). After discussing the policy and economy impact on Digital Music, these impacts have built Chinese consumers' unique spending habits and values for Digital Music.

Consumption habit is one of the critical factors that influence consumers to make consumption decisions.⁶⁶² In the cultural background of China, which emphasises collective norms, people's consumption habits are more inclined to observe the collective actions of people around them to form their behaviours and make corresponding decisions.⁶⁶³ Consumer spending habits on Digital Music are mainly affected by factors such as the perception of the rationality of copyright

⁶⁶² Wayne E. Ferson, and George M. Constantinides. "Habit persistence and durability in aggregate consumption: Empirical tests." *Journal of Financial Economics*, vol. 29, no. 2, 1991, pp. 199-240.

⁶⁶³ Xuesong Nie. "Han Ming Jiang Tui Shu Zi Yin Yue Jie Jue Fang An." *Communication World*, vol. 1, 2007, pp. 2-6; Yu Jin. "Shu Zi Yin Yue Xi Tong De Zu Jian." *Windows World*, vol. 4, no. 2, 2008, pp. 107-116; Zhiyuan Zhang. "2010 Nian Zhong Guo Shu Zi Yin Yue Shi Chang Shei Zhu Chen Fu?." *Information Network*, vol. 1, no. 2, 2010, pp. 27-46; Oracle Research. "Ding Lei Bu Ju Shu Zi Yin Yue Shi Chang, Wang Yi Fa Bu Yun Yin Yue Chan Pin." *Vip Chinese*, vol. 4, no. 5, 2016, pp. 377-395.

fees and good product experience. Internet is merely a new carrier of communication, and the resources on the Internet are free when the Internet has not yet become an industry in China.⁶⁶⁴ At that time, the Internet was not enough to pose a threat to traditional media, so some copyright owners ignored the random reprinting of digital content and even hoped to further increase their influence with the help of online platforms to distribute their work for free.⁶⁶⁵ Moreover, this situation of free consumption of digital works has continuously been strengthened in China's Internet world and even formed the habit of dependence on free (pirated) resources. It has been highlighted in Interview 2:

“To be fair, whether we can profit from these music derivatives depends on the particular market concerned. This model rarely gains success in China, as Chinese people have not been used to paying for Digital Music. We have been rebroadcasting the Grammys for a decade with little real profit coming in. It's even difficult to find advertising partners”.⁶⁶⁶

The consumption habits of Chinese consumers have reduced the value of music content in the perspective of Western Business Models, so to seek a profitable approach, China's Digital Music platform continues effort on seeking new business models that conform to Chinese consumer habits. Moreover, Chinese institutions and legal education paid little attention to the issue of copyright protection from the beginning.⁶⁶⁷ Chinese consumers do not pay much attention to

⁶⁶⁴ Richard Cullen, and Pinky DW Choy. “The Internet in China.” *Colum. J. Asian L.*, vol. 13, no. 1, 1999, pp. 99; Qiang Chen. “Wang Luo Huan Jing Xia Shu Zi Yin Yue Shi Chang Zhi Ban Quan Bao Hu.” *Information Network Security*, vol. 2, no. 2, 2010, pp. 87-95.

⁶⁶⁵ Jiarui Liu. “The tough reality of copyright piracy: a case study of the music industry in China.” *Cardozo Arts & Ent. LJ*, vol. 27, no. 1, 2009, pp. 621; Min Ding. “Tai He Mai Tian: Chao Yue Dao Ban De Shu Zi Yin Yue Ying Xiao.” *Business Network News*, vol. 1, no. 2, 2009, pp. 77-84.

⁶⁶⁶ Anonymous. Interview No.2. 15 Feb. 2016.

⁶⁶⁷ William P. Alford. *To steal a book is an elegant offense: Intellectual property law in Chinese civilization*. Stanford University Press, 1995.

trivial and inaccurate legal punishment, but instead, care about the consumption behaviour of people around them and use it as a reference. It is inseparable from the collectivist cultural environment. This has caused some consumers to confuse the two concepts of “free” and “illegal”. As a result, consumers have directly ignored that copyright is protected and inviolable by law, meaning “free” use of music is a sign of approval.

Accordingly, users’ network usage behaviour often includes a fixed response. As users become familiar with information search paths, users will gradually form a dependency on specific information aggregation sites (Aggregator). This fixed behaviour and path dependence leads to two habits for network users. The first is to search for music through a search engine, and the second is to use a music app that can play music online. As mentioned earlier, Digital Music has the nature of public goods in China. It is non-exclusive and non-competitive when it is consumed, which implies that multiple users can consume Digital Music at the same time without affecting the interests of any of them. This is the so-called “resource sharing”. Being dependent on the path to free “shared resources”, once consumers encounter “paid resources” that require payment, even if the necessary costs are minimal, “choice costs” will cause subtle changes in consumers’ psychology - “Whether costs and benefits are reasonable” has become a content of rational thinking. This behavioural model is one of the main obstacles for Chinese digital consumers to cultivate their consumption habits for paid music content.

Value compels the Chinese Digital Music platform to build a mindset to make money by providing services or other music-related products instead of merely relying on music content.

Music, for China's SPs and CPs, is more like a tool that can gather popularity or attract attention.

According to interview 1:

“The profit comes only after the celebrity is achieved through the fans effect and star packaging. Most singers in China does not make much money by means of music, but rather, they make a name [...]. Digital Music is a fine instrument for musicians in China to accumulate a great number of fans to develop their popularity”.⁶⁶⁸

Because the value of music content has been weakened under the influence of Political Factors and Economic Factors, China's Digital Music Industry is shifting its focus on developing the fan economy to take advantage of a large audience to create new business models like QQ Music's ecosystem as mentioned earlier. For China's Digital Music Industry, users, not only can directly create economic value but can also be seen as essential resources for companies to make profit indirectly. To gain more customer resources, Digital Music companies attract users by providing free download services and then sell the attention resources they generate, to obtain corresponding advertising shares. It has become a generally effective business model in China's Digital Music Industry. In contrast, to make it possible for users to pay, improving the user's willingness to pay is one of the problems that the Digital Music Industry in China needs to overcome.

4.5.7 Technological Factors

Technological, legislative, and business aspects are seen as intertwined factors, which affect the

⁶⁶⁸ Anonymous. Interview No.1. 15 Feb. 2016.

developments within the field of Digital Music. There is no doubt that, due to technological advancements, the landscape of the music industry has undergone a significant transformation since the turn of the millennium. The record companies have partially lost the control that once allowed them to keep prices of their choice for music, and their high profits.⁶⁶⁹ Ultimately, fundamental changes in production, distribution and business model, brought about by a transformed economic climate, which redistributed benefits and created new business opportunities.

Talking about the multifunctional aspect of technology, changes in certain elements will cause changes in system performance, forming the Butterfly Effect.⁶⁷⁰ Therefore, the dynamic changes in technology are complex and unpredictable, and the functions that originally exerted positive values may have unforeseen adverse effects due to changes in certain factors. However, with transformative technological advancement and the spread of mass reproduction skills, it is difficult to obtain effective protection measures for the copyright of Digital music in China. This causes a complex social context for the Digital Music Industry. In general, the Digital Music Industry in China has not only characteristics common to other nations' Digital Music Industries, such as the dynamics of the Digital Music and diverse sources, but also many distinctive features, such as an environment with a great deal of unauthorized production and distribution networks, cultural policies, and economic goals. These pose challenges to the application of western management theories and practices in a Chinese context. For example, the driving role of interest

⁶⁶⁹ Steve Knopper. *Appetite for self-destruction: The spectacular crash of the record industry in the digital age*. Simon and Schuster, 2009.

⁶⁷⁰ Jim Rogers. *The death and life of the music industry in the digital age*. A&C Black, 2013.

can lead to unreasonable use of technology. Joelle Farchy pointed out, “Selling cultural products is a kind of behaviour that cuts and sells products to attract customers”.⁶⁷¹ Due to historical factors and consumers’ habits, it has been difficult for the Chinese music industry to implement music charging. Most platforms provide free audition services, so it is not possible to enjoy relevant economic benefits. However, consumers are not the ultimate beneficiaries, as they often pay for other related products. When companies try to create new markets, they are also leaning towards the edge of potential monopolies. The development of Digital Music requires the support of Internet technology, and a limited access model, that is dependent on technology, is emerging. When this digital economy expands into the game, the output of the music industry may be anything, and companies may cut costs and sell any product to attract customers in China.

At present, the shift of focus brought by the marketisation of the music industry will be more and more conducive to the development of technology companies.⁶⁷² They can even control the entry and visibility of increasingly expensive downstream market products. These participants will also be under their framework, negotiating with content producers who bring new valuable resources. Therefore, these seemingly non-physical music projects will increasingly rely on the control of digital technology and their impact is two-sided.

The development of technology in China has enabled the rapid growth of the Digital Music

⁶⁷¹ Joëlle Farchy. “Economics of Sharing Platforms: What’s Wrong with the Cultural Industries?” *Youtube Reader*, vol. 1, no. 1, 2009, pp. 360-371; Joëlle Farchy. “Are Free Licences Suitable for Cultural Works?” *European Intellectual Property Review*, vol. 31, no. 5, 2009, pp. 255-263.

⁶⁷² Jeremy Wade Morris. *Selling Digital Music, formatting culture*. Los Angeles, CA: University of California Press, 2015.

Industry and opened many new business models. However, due to the development of technology, China's Digital Music has become more and more service-oriented. Concerning the future development of Digital Music, the question should be "how to deal with the innovation and dependence brought by technological innovation".

4.5.7.1 Changes in Distribution Channels

The rapid development of mobile Internet and smart mobile devices facilitates the current development of the music industry. Boosted by the technological advancement in mobile telecommunication and device manufacturing, intelligent devices such as smartphones and tablets are becoming popular. Moreover, the introduction of 4G has considerably increased the speed and bandwidth of the Chinese internet network.⁶⁷³ These signs of progress offer more opportunities for Chinese consumers to enjoy music and videos, thereby setting a broader stage for the development of the Digital Music Industry. Besides, thanks to the application of the mobile, LED and LCD technologies, many digital screens are installed in buses, taxis, subway cars and elevators. Promotion MVs, broadcasting through these screens, can achieve excellent advertising effectiveness and can enrich consumers' life by taking advantage of their waiting and travelling time. Thus, the development of mobile media has also created more market opportunities for the Digital Music Industry.

The new media technology has also fueled the rapid development of the music industry. Its

⁶⁷³ Yi Niu, Hui Li, and Qing Qing. "New Technology Research and Practices in Digital Publishing in China." *Publishing Research Quarterly*, vol. 34, no. 4, 2018, pp. 573-579.

background allows the duplication, publishing and consumption of Digital Music, completed in the virtual world of the Internet, breaking through the restrictions of the 3D world, reducing the standard procedures in operation, saving the cost of promotion and production, and delivering “pure music” to consumers. According to the Long Tail Theory, the Digital Music stored in the server is always “on-sale”, and its lifespan has been extended indefinitely.⁶⁷⁴ Therefore, out-of-date music genres could still be used to create massive revenue and to bring more business opportunities. Moreover, the complicated payment process or non-accredited payment could significantly influence the user’s willingness to pay and purchase. Compared with the Western Digital Music Industry, China has a more prominent development trend in mobile networks and mobile payments, and it is one of the reasons of leading the digital album sales of QQ Music to a success.⁶⁷⁵

⁶⁷⁴ Aguiar Luis, and Bertin Martens. “Digital Music consumption on the internet: evidence from clickstream data.” *Information Economics and Policy*, vol. 34, 2016, pp. 27-43.

⁶⁷⁵ According to interview 14, “Tencent’s financial system: Tencent’s virtual currency, Q coin, and its payment system, Tenpay, have constituted a virtual financial system. Q coins are primarily used to purchase QQ software and related periphery services. This virtual financial system has promoted the development of Tencent’s industry chain”. So does QQ Music.

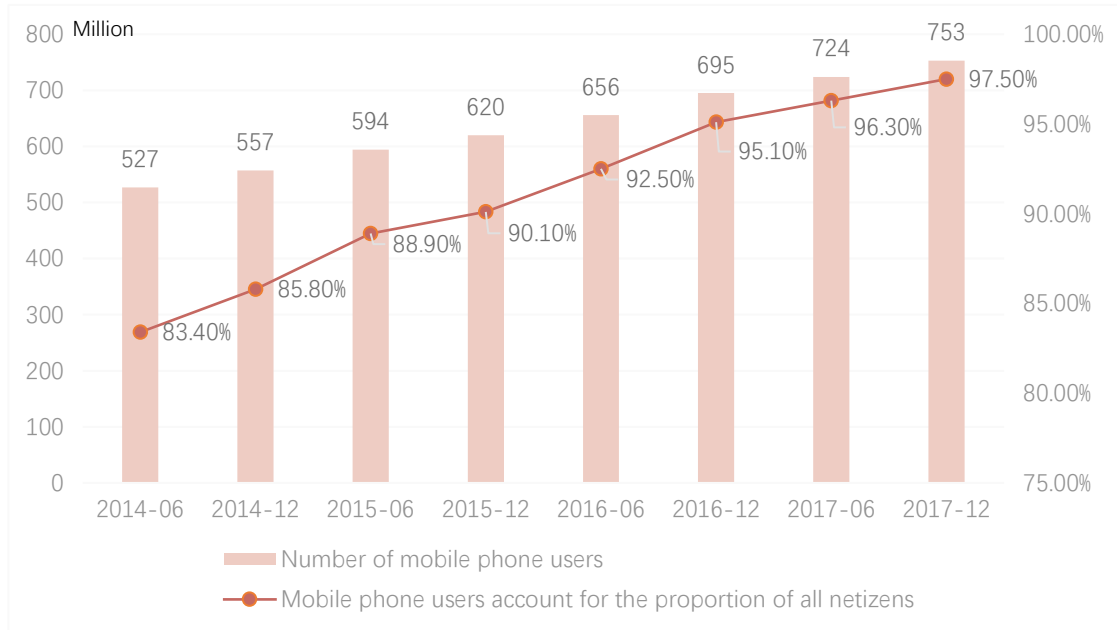


Figure 10. The Size and Proportion of Mobile Phone Netizens in China (06-2014 to 12-2017)⁶⁷⁶

As shown in figure above, till 2017, by virtue of world's largest 4G network in China, with a mobile phone penetration rate of 65.1%, 753 million users and 97.5% of the total network users, there is a massive user scale and network coverage, and it can facilitate China's Digital Music Market to develop and explore more business models. Having essentially skipped a whole generation of physical music technology, China is jumping in straightly at the forefront of web technology and innovation in the digital age for the Digital Music Industry. On account of the excellent user demand and rapid development of mobile phone businesses, China now boasts a large number of apps and services that play a dominant role in areas such as mobile payment and sharing economy. Currently, 85% of Digital Music, being consumed in China, is through mobile platforms.⁶⁷⁷ It also deeply reflects the people's consumption habits in the digital age between

⁶⁷⁶ Completed by researcher. Date Source: Based on the public data collation of the China Internet Information Center (CNNIC)

⁶⁷⁷ Meihua Network Research Institute. "Zhong Guo Yi Dong Yin Yue Shi Chang Shang Ye Mo Shi Guan Cha 2015." 2015. www.q-5.net/article/13883508. Accessed 21 May. 2018.

China and the West, as discussed in the earlier section.

As mentioned earlier, the social platform serves as an effective technological tool for China's Digital Music Industry. By relatively inexpensive availability of software, with advanced recording and producing facilities, aspiring musicians can create high-quality music from just about anywhere. Musicians no longer need to go into a professional studio, nor do they require a record label to help supplement these costs initially. Further, all costs associated with distribution and promotion, have mainly been removed due to the free and open communication of the Internet and the rise of social media. Control in these two areas was perhaps the place from where the record companies initially drew their power. Record companies still play a decisive role in the Western Digital Music Industry. However, in China, record companies are gradually being replaced by SPs. In other words, CPs and SPs gradually merged under the influence of China's environment and became a new department.⁶⁷⁸

This change is very beneficial to the development of China's independent musicians and fans economy. Today, musicians can upload music to a third-party host and share it through social media, all while being comfortable anywhere. The popularity and emergence of sites like Youku (similar to YouTube) and 9Sky (similar to Spotify), allow users to upload video and music content for free easily. Not only will they be public on these highly trafficked sites, but also, they can then be easily shared around the web through the link and embed. SNS like QQ, Weibo and WeChat not only serve as a useful tool for musicians to connect with fans, but their extensive

⁶⁷⁸ It is also part of the phenomenon of industrial convergence.

network also creates the opportunity to develop popularity for new musicians or even maybe more efficient for spread their names virally.

Promotion, although deeply intertwined with social media, has taken possibly the most exciting turn. Due to the market environment of Chinese Digital Music and consumer spending habits, a variety of musicians have begun releasing some, or all their music digitally, free of charge in China. These free projects can help to spread the word out for musicians who build momentum for upcoming albums or tours. According to interview 16, “freemium is the result of a compromise between business profit and the habit of users after gaming among various parties”.⁶⁷⁹ Since Chinese musicians traditionally make a significant portion of their income from live shows as opposed to actual sales of recordings, releasing free music can serve a powerful promotional tool that can help boost demand for purchases of concert tickets. This relationship made possible by both, the considerably lower production costs and more accessible channels of distribution through social media, is the polar opposite of the previous model in which advertise trips served as a means to promote the sale of records. On this basis, QQ Music has launched a combined version of online and offline concerts, which meets the demands of consumers and musicians.

4.5.7.2 Changes in Music Production

Drucker pointed out that the most important part of the internet is direct contact.⁶⁸⁰ Thanks to

⁶⁷⁹ Anonymous. Interview No.16. 24 Oct. 2016.

⁶⁸⁰ Peter F. Drucker. *Technology, Management, and Society*. Boston, MA: Harvard Business Review Press, 2011.

the information symmetry, consumers are able to know more about a product and also can take part in that product's development and manufacturing. Thus, comes the age of consumerism.

The Digital Music Industry has lowered the standards of entering the music industry.⁶⁸¹ Music creation and production are no longer just the privileges of professional creators and professional music companies. While musicians benefit from more convenient and affordable ways of producing music, promoting themselves, reaching fans and distributing their content and consumers gain from broader selection and easier access to music, record companies are forced to innovate as SPs with minimisation of some of their roles.

The majority of music lovers can use online professional software and tools, and even various APPs to create music works and upload them to video websites and personal blogs. It directly pushes music works into the communication channel, realising point-to-point, face-to-face sales with consumers by completely bypassing the traditional music channel monopoly on channels. Because of the differences in the values of music content consumption, unlike in Western markets, to run this model in China, it would have to base on fans economy.

Therefore, considering the recent technological developments, record companies have started to adapt by forming relationships with favourite music blogs, utilising the latest social media outlets to discover potential stars and promote their current signees and finding ways to alter their

⁶⁸¹ Neil McCormick. "Shu Zi Yin Yue 15 Nian." *Fincial Digest*, vol. 7, no. 1, 2014, pp. 13-14.

business plans to capitalise new prospects. For example, the “Music +” project is a new model of direct cooperation between record companies and SPs.

4.5.7.3 Changes in Business Model

Because of the Internet, consumers no longer face a scarce economy or a few shelves in a supermarket, but they have an opportunity to access an endless list of products on the Internet; as both, supply and personalised demand burst, mass manufacturing also turns into large-scale customisation or even private customisation. The wave of consumption has passed, and the era of personalised and diversified consumption has arrived. With the rapid development of the Internet today, many industries collide across different professions, fields and even cultures and ideologies, which is considered crossover cooperation.⁶⁸² Collaboration across industries and fields meets the need for the Internet to blur the original boundaries to create new value, and also meets the product’s ability to adapt to the environment. Digital Music distribution functions are continually being explored and developed. The music platform is not limited to just listening and downloading. It has gradually evolved from music player to an integrated platform of music services in China. To improve the user’s “stickiness,” the platform is actively expanding its personalised services.

The Internet era has reshaped the concept of products. Whether users can have a service experience after purchase has become a critical element of product success as it will affect users

⁶⁸² Zhiqiang Yin, and Congyun Zheng. “Study on Digital Music Industry operation in China.” *2015 International Conference on Management, Education, Information and Control*. Atlantis Press, 2015.

'word of mouth for the product and would further affect the value of the product in the users' hearts. The fierce competition between China's Digital Music platforms mainly includes copyright, music quality, and service experience. In the case of small differences in copyright advantages, the platform can attract some users by optimising the user's service experience and other measures. From the user's contact with the platform to the end of its use, there are a lot of details that can improve the user experience in the process of implementing the service experience, so that the user will feel happier after consumption. This positive stimulus will help improve the overall profitability of the music platform in China.

Specifically, with the continuous renewal and advancement of technology and iteration of smartphones, the music platform optimises and designs the platform's visual interface, spiritual interaction and other details following the current user's usage habits and strives to provide users with greater experience. The service experience of Chinese Digital Music users includes personal emotion, cognition, psychological response and sense of achievement throughout the entire usage process. For example, users listen to songs to get comments on the subconscious level of aesthetic empathy, take pride in seeing their idols appear on the mobile phone's screen, and acquire timely access to the latest information about interesting idols and these all can be suggested as excellent service experiences.

Furthermore, the telecommunications and electronic commerce industries are indispensable related industries that keep Digital Music Industry running smoothly in China. First, the construction and development of the communications industry provide an excellent technical

environment and technical foundation for the Digital Music Industry. The expansion of network popularisation and the enhancement of mobile terminal signals will significantly help expand the potential consumers of Digital Music. Further, the electronic commerce industry, as a fractional industry, that substitutes digitalisation for various social and economic activities has blurred the boundary between the digital economy and the real economy. Reflected in the Digital Music Industry, the development of the e-commerce industry has helped the cultivation of Chinese consumers' digital content consumption habits, especially the world's leading mobile payment system which has facilitated the process of Digital Music consumption and has stimulated the demand for music consumption. These have improved the external environment of the Digital Music Industry in China.

4.6 Conclusion

The Digital Music Industry contributed an essential role in the progress of the music industry in China during the early 21st century. The music performance industry sector and the recorded music industry sector respectively played a crucial role by influencing and inclining the customers towards music. The nature and characteristics of advanced technologies, high growth rates, and the strong convergence of the Digital Music Industry, greatly enhanced the evolution and development of the music industry in China during the early 21st century. China's Digital Music Industry evolved and developed mainly by integrating or collaborating with specifically related sectors, including the cultural and media industry sectors, and with a particular integration with the information communication technology industry. The Digital Music Industry, on the other hand, also greatly influenced the cultural and creative industries, the information communication industries and other sectors of the music industry, in China, during the early 21st century. Through industrial convergence, China's music industry reframed itself into a complex structure. Meanwhile, because of unique consumer values and the faultiness of IP law, the development of China's Digital Music Industry, from an attempt to completely copy the western model, gradually started to develop its particular business model. Its business can be summarised, as shown in figure 4:

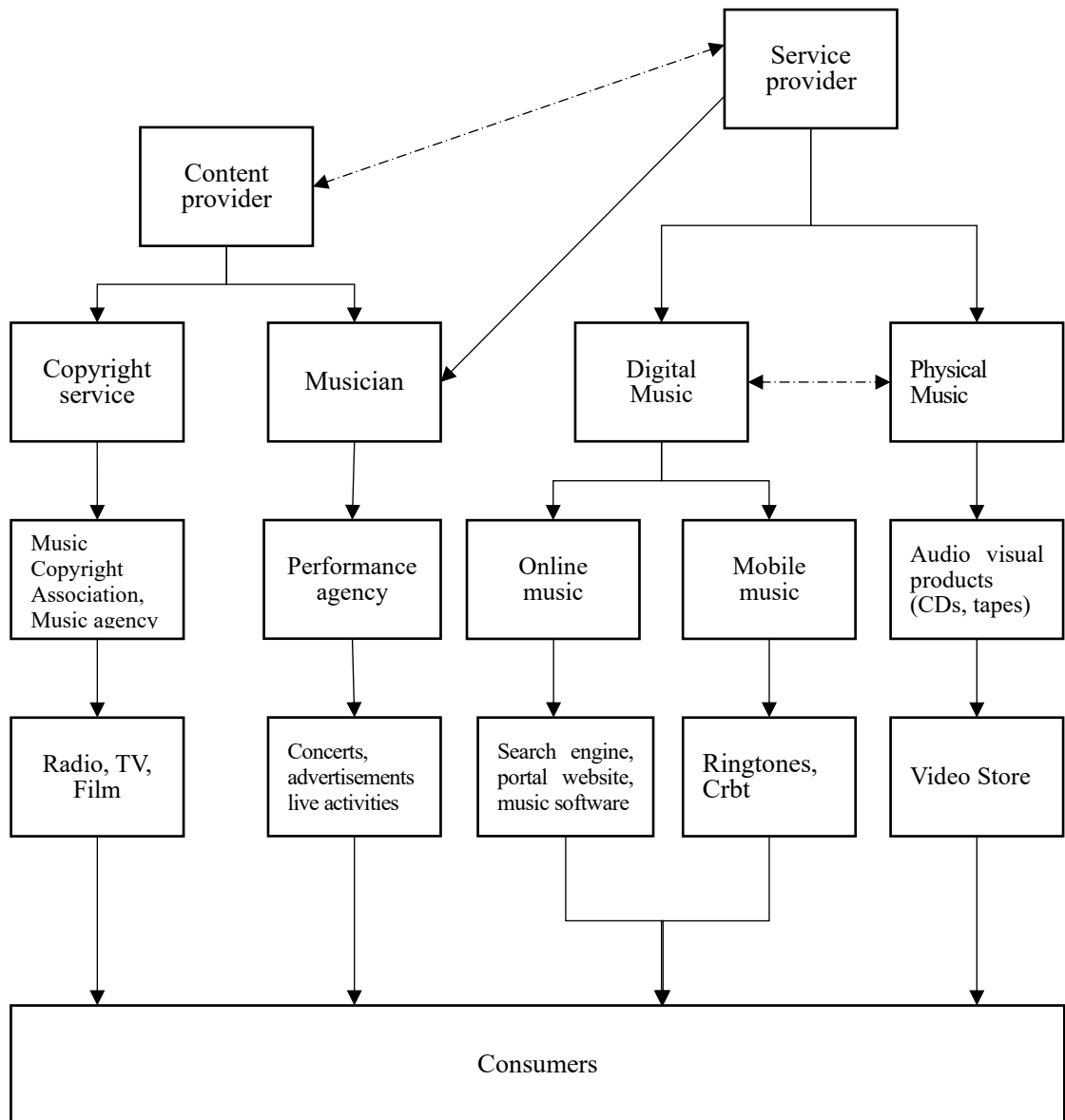


Figure 11. China's Digital Music Industry Structure⁶⁸³

With the development of China's Digital Music Industry, the proportion of SP in the entire

⁶⁸³ Completed by researcher.

industry is getting larger and larger, and its business is gradually expanding. For industrial development, the industrial integration between SP and CP proves that China's Digital Music Industry has developed and evolved following China's national conditions and actual needs. In addition, under this scenario, the Chinese Digital Music Industry has indeed developed more new business models. The focus is to put forward new idea: a new Digital Music revenue model that takes service as its core competitiveness and uses the fan economy to promote marketing and cultivate consumer spending habits.

Enhanced quality of life leads towards high living standards of Chinese consumers, and as such, it has increased the demand for music and other forms of entertainment. As broadband and mobile Internet access continues to grow, foreign companies will have an even more excellent opportunity to offer digital-music services in China.

However, from the perspective of musicians, SP increasing dominance in the Digital Music Industry will affect the long-term development of Digital Music. From the economic point of view, it affects musicians' passion for music creation and may cause the decline of music quality due to the musicians in China may receive multiple impacts from piracy, collective copyright management and consumers' inattentiveness to the value of music. SP further control of Digital Music distribution in Digital Music will be more restrictive to musicians because the channel determines the range and speed of the music. Compared with western business models, the rapid development of China's Digital Music has sacrificed musicians' benefit in terms of copyright, that is, music content. China's Digital Music Industry needs to be reformed fundamentally, and

that too in an innovative way. More cultural and economic policies are required to promote the culture and information industry through their integration with the Digital Music Industry and for further mutual development of all these industries. On an important note, it is critical to implement appropriate and effective laws regarding IP rights and music copyright to facilitate and protect the healthy development of the Chinese music industry.

Chapter 5 Methodology

This research is devoted to exploring the ways, by which, managers can exercise management practices in Digital Music Market in the Chinese context (culturally and geographically) and understand the reasons of why a specific management method, for Digital Music Industry, is used and whether it would be effective, for management practices, in the Chinese context? Accordingly, the research inclines towards phenomenological, qualitative, investigations of human experience; the role of human subjectivity in explaining human behaviour in the direction of strategic management research. The research starts with the research philosophy, by showing the perspective of research, the nature of research and the logic of research. Then it explains the research paradigms, methods and about the necessary data and information collection to target the research objectives and questions; presented and analysed in this research. Reasons and justifications for the research design, research instruments, data sources, data collection techniques, data presentation techniques, anonymising data techniques, and analytical techniques, used to answer the research questions, have also been presented. The limitations and challenges of the research have been summarised in the end.

5.1 Research Philosophy

5.1.1 Epistemology

Epistemology is a philosophical theory about the nature of cognition and the law of

development.⁶⁸⁴ It is employed to explore the nature and structure of human cognition, the relationship between cognition and objective reality, the premise and basis of cognition, and the law of occurrence, development and pattern of cognition. The formation and development of knowledge do not necessarily mean that it is limited by the inherent rational principles of knowledge or is purely inferred from certain reason.⁶⁸⁵ It is based on the subject's consciousness, in the daily life of the world, while being in constant contact with other people or things, forming knowledge for communication, which implies that the formation of knowledge is through "negotiation."

Therefore, people should exchange each other's viewpoints from the standpoint of each other's subject and should use it to explain the meaning of behaviour to establish the rules or knowledge to reach consensus in daily life. Because of this, research will interpret Digital Music base on a unique perspective from the researcher with over 20 years of experiences and cognitions as a Chinese musician. The carried-out research suggests that epistemology is also about admitting the fact that one cannot reach the real dimension behind a phenomenon, as the real dimension stays unknown.⁶⁸⁶ However, through rationality and ethic, we grasp the truth of living in a phenomenal aspect and acquire valuable certainty through mutual-trust in turmoil and uneasiness. The reasoning of this will be addressed in the final section of the methodology to summarise the

⁶⁸⁴ James E. Tomberlin. *Epistemology*. Boston, MA: Blackwell, 1999; Michael Q. Patton. *Qualitative Research & Evaluation Methods: Integrating Theory and Practice*. London, England: Sage Publications Ltd, 2015.

⁶⁸⁵ Evert Gummesson. *Qualitative Methods in Management Research*. Thousand Oaks, CA: Sage, 2000.

⁶⁸⁶ Judith Bennett. *Evaluation Methods in Research*. London, England: Continuum, 2003; Dahlia K. Remler, and Ryzin G. G. Van. *Research Methods in Practice: Strategies for Description and Causation*. Los Angeles: SAGE, 2015.

adjustments and deficiencies.

The interpretivist approach advocates that cognition of the complex world is based on experience and perspectives of human beings.⁶⁸⁷ The epistemology, in this research, serves as the approach to knowledge and a way to gain understanding empirically.⁶⁸⁸ Its emphasis is on the subjective meaning of personal experience and on believes that any behaviour is governed by multiple causes rather than a single cause. Clarity about the ways is required to be established by which one might establish a valid Western management theory in order to become clear about the nature of management theories that might be applicable in a Chinese context.

Positivism in a variety of guises remains the dominant epistemological orientation of management disciplines.⁶⁸⁹ However, most of the positivism studies based on quantitative research methods rely on data management and analysis.⁶⁹⁰ Anthony Giddens suggested that the basic characteristics of positivism are summarising of philosophy as a of phenomenon as a philosophy always begins with phenomenal opinion with a refusal to grasp the sensory material

⁶⁸⁷ James Scotland. "Exploring the Philosophical Underpinnings of Research: Relating Ontology and Epistemology to the Methodology and Methods of the Scientific, Interpretive, and Critical Research Paradigms." *English Language Teaching*, vol. 5, no. 9, 2012, pp. 8-13.

⁶⁸⁸ Lisa J. McIntyre. *Need to Know: Social Science Research Methods*. Boston, MA: McGraw-Hill, 2005.

⁶⁸⁹ Kevin D. O’Gorman, and Robert MacIntosh. *Research Methods for Business and Management*. Goodfellow Publishers Limited, 2014; Phil Johnson, and Joanne Duberley. *Understanding Management Research: An Introduction to Epistemology*. Los Angeles, CA: Sage, 2015.

⁶⁹⁰ Stephen Kwadwo Antwi, and Kasim Hamza. "Qualitative and Quantitative Research Paradigms in Business Research: A Philosophical Reflection." *European Journal of Business and Management*, vol. 7, no. 3, 2015, pp. 217-225; Pushkala. Prasad. *Crafting Qualitative Research: Beyond Positivist Traditions*. London, England: Routledge, 2017.

rationally by assuming that science can be obtained through induction of phenomena.⁶⁹¹ It treats the relationship between philosophy and science as the central issue of its theory and tries to dissolve philosophy in science.

In the empirical methodological paradigm, it is possible for a researcher to explore and understand the facts which are external to people.⁶⁹² In the process of inquiry, the researcher and the research object are independent to each other. The relationship between, the researcher and the research object, is objective and, as such, the values of the researcher or other biases can be ruled out. Moreover, in positivist studies, respondents are surveyed and are asked to answer the questions contained in the questionnaire, and often respondents are required to choose an answer out of a set of pre-determined answers.⁶⁹³

Digital Music in the UK, Europe and America, can be defined as a creative cultural industry and most of the social science research related to creative cultural industries are embedded in ant positivism research.⁶⁹⁴ However, Digital Music management is a relatively new discipline.

⁶⁹¹ Anthony Giddens. *Positivism and Sociology*. Aldershot, Hampshire: Gower, 1987; Anthony Giddens. *In Defence of Sociology: Essays, Interpretations, and Rejoinders*. Cambridge, Cambridgeshire: Polity Press, 1996.

⁶⁹² Mark J. Smith. *Philosophy & Methodology of the Social Sciences*. London, England: SAGE, 2005; Norma R. A. Romm. *Responsible Research Practice: Revisiting Transformative Paradigm in Social Research*. Switzerland: Springer, 2018.

⁶⁹³ Hedley J. Smyth, and Peter WG Morris. "An Epistemological Evaluation of Research into Projects and their Management: Methodological Issues." *International Journal of Project Management*, vol. 25, no. 4, 2007, pp. 423-436.

⁶⁹⁴ Jerzy Giedymin. "Antipositivism in Contemporary Philosophy of Social Science and Humanities." *The British Journal for the Philosophy of Science*, vol. 26, no. 4, 1975, pp. 275-301; Andrew C. Wicks, and R. Edward Freeman. "Organisation Studies and the New Pragmatism: Positivism, Anti-positivism, and the Search for Ethics." *Organisation Science*, vol. 9, no. 2, 1998, pp. 123-140.

Furthermore, China's Digital Music Industry comes as a fresh industry due to its unique cultural background, market environment, consumption concept and values. It is a comprehensive field that combines business management research with environmental and human impact. In accordance with the research background and actual industry situation, the standard of Digital Music in China is developing rapidly and is undergoing many changes. Some industry-related problems may have no correct answer with many doubts having no clarification. Normally, the influence of external factors on the flourishing of Digital Music, the establishment of an industrial model and on management style is being framed gradually by using long-term analysis.

Interpretivism perceives that the perceptions create the social phenomena and consequent actions of social actors, concerned with their existence, precisely help the managers who seek to strategise in a changing environment.⁶⁹⁵ It can be suggestive of the fact that the world, that can be quantified and measured, is only a representation of the phenomenal world on the surface. Peter L. Berger and Thomas Luckmann argued that, without understanding the meaning of action, people could not truly articulate human social actions and social life. It is the complex and uncertain nature of social history that constitute the rich connotation of social life.⁶⁹⁶ Chinese Digital Music, as a subject, is still developing, without having a single reality or truth, and therefore reality is required to be interpreted. The interpretivism can be suggested as a fit to research the development direction of Chinese Digital Music. Its ontological position asserts that

⁶⁹⁵ Mark Saunders., Philip Lewis, and Adrian Thornhill. *Research methods for business students*. Pearson education, 2009; Saul Becker., Alan Bryman, and Harry Ferguson, eds. *Understanding Research for Social Policy and Social Work: Themes, Methods and Approaches*. Policy Press, 2012.

⁶⁹⁶ Peter L. Berger, and Thomas Luckmann. *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*. New York: Open Road Media, 2011.

social actors are continually accomplishing social phenomena and their meanings.⁶⁹⁷ It is a constructivist methodological paradigm that insists that the facts are constructed in social context and knowledge is a construct, made by people.⁶⁹⁸ This emphasises the subjective position that is researcher with a value orientation, use subjective interaction and communication methods to approach the inner world of “others”.⁶⁹⁹ Facts exist in people’s inner hearts, making researchers and other people inseparable. Its emphasis is on understanding rather than causal explanation. For this research, a significant analysis can only be performed, on the basic understanding of what Chinese Digital Music is. Use of qualitative methods, to discover such multiple realities in the Digital Music Industry, is optimal.

In contemporary times, ideas mainly come from the research and discovery of social science, but social science itself is a theorised abstraction of specific experiences in specific historical periods in specific countries.⁷⁰⁰ The nature of the social sciences determines that the prevailing concepts in the world are mainly from the early modernised countries, especially experiences of these countries, such as British and America.⁷⁰¹ The Western cognition mentioned later, is also

⁶⁹⁷ Norman W. H. Blaikie, and Jan Priest. *Designing Social Research: The Logic of Anticipation*. MA: Polity Press, 2018.

⁶⁹⁸ J. D. Toma. *Scholars and Their Inquiry Paradigms: Exploring a Conceptual Framework for Classifying Inquiry and Inquirers Based Upon Paradigmatic Assumptions*. Place of publication not identified: Distributed by ERIC Clearinghouse, 1996; Norman K. Denzin, and Yvonna S. Lincoln. *The Landscape of Qualitative Research*. Los Angeles, CA: Sage Publications, 2008; Jonathon W. Moses, and Torbjorn L. Knutsen. *Ways of Knowing: Competing Methodologies in Social and Political Research*. New York, NY: Palgrave Macmillan, 2012.

⁶⁹⁹ Ron Weber. “Editor’s Comments: The Rhetoric of Positivism Versus Interpretivism: a Personal View.” *Mis Quarterly*. vol. 28, no. 1, 2004, pp. 3-11.

⁷⁰⁰ Ted Benton, and Ian Craib. *Philosophy of Social Science: The Philosophical Foundations of Social Thought*. London, England: Macmillan International Higher Education, 2010.

⁷⁰¹ H. S. Gordon. *The History and Philosophy of Social Science: An Introduction*. London, England: Routledge, 2002.

based on this concept represented by the United States and Britain.

The differences in logical thinking between Chinese and Western also need to be considered due to this research is cross-cultural based. In social science research, the method is the application of concepts, writing norms and logical categorisation and research on reflects reality and the concrete realization of the summary.⁷⁰² This embodiment is the basic method, which is the most general way of thinking that people use to understand the social sciences. It includes formal logic and dialectical logic.⁷⁰³ Formal logic method is a kind of highly programmed method and generally includes a series of methods such as definition, comparison, classification, analogy, transplantation, induction, analysis, integration, generalization, proof and refutation. Formal logic is fixed in a highly abstract way, in people's consciousness, and have universal and effective axioms.⁷⁰⁴

The method of dialectical logic is to analyses and resolve the contradictory movement of thinking starting from the internal contradictions of objective objects.⁷⁰⁵ The dialectical logic method not only acknowledges the important role of analysis, synthesis, induction, deduction and other methods in human thinking but also regards all these as methods with opposite and unified relationships besides regarding each pair of relationships as a contradictory unity.

⁷⁰² Barbara Czarniawska. *Narratives in Social Science Research*. London, England: SAGE, 2013.

⁷⁰³ Walter Carnielli, Marcelo E. Coniglio, and Joao Marcos. "Logics of Formal Inconsistency." *Handbook of Philosophical Logic*. Dordrecht: Springer, 2007. 1-93.

⁷⁰⁴ Stephen Read. *Thinking About Logic: An Introduction to the Philosophy of Logic*. Oxford, Oxfordshire: Oxford university press, 2010.

⁷⁰⁵ Evald Vasilyevich Ilyenkov. *Dialectical Logic; Essays on its History and Theory*. New Delhi: Aakar Books, 2008.

According to Li-Jun Ji et al., a comparison of Chinese thinking with Western thinking; Europe, America and the UK, suggests that Chinese thinking is more inclined to use dialectical way of thinking.⁷⁰⁶ The dialectical way of thinking, used by Chinese people, has the most significant influence on the process of cognition, and it is manifested in the Chinese people's views on contradictions.⁷⁰⁷ The Chinese perceive contradictions with a viewpoint that the world is universally connected, changing, and complex. They believe that there is a contradiction in everything. Therefore, compromise is the best way to deal with contradictions. More importantly, formal logic can only do qualitative static analysis of things but cannot draw the dynamic changes of things; therefore, formal logic is more suitable for judgment of things under established rules, such as courts and scientific research; dialectical logic follows the development of things Law, it finds the contradiction of things, and fully understand the unity of opposites of things, but its disadvantage is that it cannot draw a clear judgment on things.

The researcher believes that dialectical thinking is more appropriate for Chinese Digital Music as a rapidly changing research target.

There have been many studies on the differences between Chinese and Western cultures, thinking and cognition. The cognitive theory of Western philosophy mainly discusses the method of cognition, while Chinese philosophy pays more attention to the purpose and motivation of

⁷⁰⁶ Li-Jun Ji, Kaiping Peng, and Richard E. Nisbett. "Culture, Control, and Perception of Relationships in the Environment." *Journal of Personality and Social Psychology*, vol. 78, no. 5, 2000, pp. 943-957.

⁷⁰⁷ Wong, W an-chi. "Understanding Dialectical Thinking from a Cultural-historical Perspective." *Philosophical Psychology*, vol. 19, no. 2, 2006, pp. 239-260.

perception.⁷⁰⁸ About discrepancies of the oriental and occidental modes of thinking research, Donald J. Munro, William Theodore de Bary, David L. Hall, Roger T. Ames are representatives of West and Shiyong Zhang, Dunhua Zhao, Weixun Fu, Dongmei Fang, Sumin Liang, Mu Qian are representatives of East.⁷⁰⁹ Richard E. Nisbett, an American cultural psychologist, also pointed out, to use dialectical thinking to describe the Easterners but use logical thinking or analytical thinking to describe Westerners.⁷¹⁰

In terms of ways of thinking in the academic sector, Western scholars pay more attention to rational analysis, empirical analysis, and overall integration.⁷¹¹ In contrast, Chinese scholars pay attention to the whole unified way of thinking, emphasise the connection of opposite two sides

⁷⁰⁸ Stephen Broadberry., Hanhui Guan, and David Daokui Li. "China, Europe, and the Great Divergence: A Study in Historical National Accounting, 980–1850." *The Journal of Economic History*, vol. 78, no. 4, 2018, pp. 955-1000.

⁷⁰⁹ See for examples, Donald J. Munro, ed. *Individualism and Holism: Studies in Confucian and Taoist values*. Andover, MA: Dongmei Fang. *Zhongguo Ren Sheng Zhe Xue*. Li Ming Wen Hua Shi Ye Gu Fen You Xian Gong Si, 1980; Center for Chinese Studies, University of Michigan, 1985; Weixun Fu. *Wen Hua Zhong Guo Yu Zhong Guo Wen Hua*. Tai Bei: Dong Da Press, 1988; Shuming Liang. *Dong Xi Wen Hua Ji Qi Zhe Xue*. Shanghai Shu Dian Press, 1989; William Theodore De Bary. *Asian Values and Human Rights: A Confucian Communitarian Perspective*. Harvard University Press, 1998; David L. Hall, and Roger T. Ames. *Thinking from the Han: Self, Truth, and Transcendence in Chinese and Western Culture*. Suny Press, 1998; Mu Qian. *Zhong Guo Wen Hua Cong Tan*. Tai Bei: Lian Jing Press, 1998; Shiyong Zhang. *Zhe Xue Dao Lun =: An Introduction to Philosophy*. Peking: Peking University Press, 2016; Dunhua Zhao. *Wai Guo Zhe Xue: Di San Shi Yi Ji*. Beijing: Shang Wu Press, 2016.

⁷¹⁰ Richard E. Nisbett, et al. "Culture and Systems of Thought: Holistic Versus Analytic Cognition." *Psychological Review*, vol. 108, no. 2, 2001, pp. 283- 294.

⁷¹¹ Barbara J. Thayer-Bacon. *Transforming Critical Thinking: Thinking Constructively*. New York, NY: Teachers College Press, 2000; Jinfa Cai, and Stephen Hwang. "Generalized and Generative Thinking in US and Chinese Students' Mathematical Problem Solving and Problem Posing." *The Journal of Mathematical Behavior*, vol. 21, no. 4, 2002, pp. 401-421; Francois Jullien. *A Treatise on Efficacy: Between Western and Chinese thinking*. Hawaii, HI: University of Hawaii Press, 2004

and unity, communication and interaction between human beings.⁷¹² The fundamental difference between Chinese and Western philosophy is that between self-ontological thinking and counter-ontological thinking.⁷¹³ In effect, these two epistemologies are not mutually exclusive but mutually unified in an interactive way.⁷¹⁴ However, because of the different orientations of thinking, in many cases, the Orientals and Westerners often have the opposite in their attribution of behaviour.⁷¹⁵ For instance, Kaiping Peng studied how Americans and Chinese attributed the two murders and found that Chinese tended to attribute the events to their surroundings, while Americans attributed them to the killer's characteristics.⁷¹⁶

According to Carl Jung, the way of thinking is a thinking habit that people use to process information and perceive the external environment. It is a relatively fixed metacognitive model, formed by nationality, in long-term historical development.⁷¹⁷ In a sense, the way of thinking reflects the cultural characteristics of nationality. The "lifestyle" proposed by Nancy J. Adler

⁷¹² Suping Li. *Zhongguo Si Wei Zuo Biao Zhi Mi: Chuan Tong Ren Si Wei Xiang Xian Dai Ren Si Wei De Zhuan Xing*. Beijing: Zhi gong jiao yu chu ban she, 1989; Chan, Sally. "The Chinese Learner—a Question of Style." *Education+ Training*, vol. 41, no. 6/7, 1999, pp. 294-305; Yubo Hou, Ying Zhu, and Kaiping Peng. "Thinking Style and Disease Cognitions Among Chinese People." *Journal of Psychology in Chinese Societies*, vol. 4, no. 2, 2003, pp. 161-180; Zhongjiang Wang. *Jin Dai Zhongguo Si Wei Fang Shi Yan Bian De Qu Shi*. Chengdu: Sichuan ren min chu ban she, 2008.

⁷¹³ Weidong Yu, and Jin Xu. "Morality and Nature: The Essential Difference Between the Dao of Chinese Philosophy and Metaphysics in Western Philosophy." *Frontiers of Philosophy in China*, vol. 4, no.3, 2009, pp. 360-369.

⁷¹⁴ Kaiping Peng, and Richard E. Nisbett. "Dialectical Responses to Questions about Dialectical Thinking." *American Psychologist*. Vol. 55, No.9, 2000, pp. 1067-1068; Pan Xing., Ricardo Valerdi, and Rui Kang. "Systems thinking: A Comparison Between Chinese and Western Approaches." *Procedia Computer Science*, vol. 16, 2013, pp. 1027-1035.

⁷¹⁵ Randall P. Peerenboom. "The Rational American and the Inscrutable Oriental as Seen from the Perspective of A Puzzled European: A Review (And Response) in Three Stereotypes: A Reply to Carine Defoort." *Philosophy East and West*, vol. 44, no. 2, 1994, pp. 368-379.

⁷¹⁶ Kaiping Peng, and Richard E. Nisbett. "Culture, Dialectics, and reasoning about Contradiction." *American Psychologist*, vol. 54, no. 9, 1999, pp. 739-741.

⁷¹⁷ Carl Jung. *Psychological Types*. London, England: Routledge, 2001.

also shows the individual's thinking characteristics under the influence of society and culture.⁷¹⁸

Thomas Kelly further emphasised the influence of this style and suggested that the interaction between the individual and his or her living environment formed a unique and entrenched way of perspective and handling problems.⁷¹⁹ Accordingly, Katharine Briggs and Isabel Briggs Myers measure the manager's cognitive style from four aspects: 1) feeling-intuition; 2) thinking-emotion; 3) judgment-perception; 4) introversion-extroversion.⁷²⁰ They have received extensive attention in management practice.

Therefore, it is essential to mention the epistemology of mainstream Chinese philosophy, and this has been adopted as a guidance reference in this research. Shiyong Zhang, Dunhua Zhao, Weixun Fu, Dongmei Fang, Sumin Liang, and Mu Qian proposed that Chinese philosophy efficiently integrates ontology, values, and epistemology.⁷²¹ It is a way to combine the sensory experience and knowledge, sensibility and rationality, the life process and cognitive process, thinking, and action. The epistemology of Chinese philosophy is harmonious, holistic, comprehensive, and moderate.⁷²² Accordingly, it emphasises the understanding and grasp of the

⁷¹⁸ Nancy J. Adler. "A Typology of Management Studies Involving Culture." *Journal of International Business Studies*, vol. 14, no. 2, 1983, pp. 29-47.

⁷¹⁹ Thomas Kelly. "Epistemic Rationality as Instrumental Rationality: A Critique." *Philosophy and Phenomenological Research*, vol. 66, no. 3, 2003, pp. 612-640.

⁷²⁰ Isabel B. Myers. *The Myers-Briggs Type Indicator: Manual*. Palo Alto, CA: Consulting Psychologists Press, 2014.

⁷²¹ Dongmei Fang. *Zhongguo Ren Sheng Zhe Xue*. Li Ming Wen Hua Shi Ye Gu Fen You Xian Gong Si, 1980; Weixun Fu. *Wen Hua Zhong Guo Yu Zhong Guo Wen Hua*. Tai Bei: Dong Da Press, 1988; Shuming Liang. *Dong Xi Wen Hua Ji Qi Zhe Xue*. Shanghai Shu Dian Press, 1989; Mu Qian. *Zhong Guo Wen Hua Cong Tan*. Tai Bei: Lian Jing Press, 1998; Shiyong Zhang. *Zhe Xue Dao Lun =: An Introduction to Philosophy*. Peking: Peking University Press, 2016; Dunhua Zhao. *Wai Guo Zhe Xue: Di San Shi Yi Ji*. Beijing: Shang Wu Press, 2016.

⁷²² Maris G. Martinsons., and Robert I. Westwood. "Management Information Systems in the Chinese Business Culture: An Explanatory Theory." *Information & Management*, vol. 32, no. 5, 1997, pp. 215-228; Lei Wang, and Heikki Juslin. "The Impact of Chinese Culture on Corporate Social Responsibility: The Harmony Approach." *Journal of Business Ethics*, vol. 88, no. 3, 2009, pp. 433-451.

dynamic functions, structures and trends of things through the movement mode of dynamic complex systems and the law of their interaction. This is exactly what the Digital Music research framework needs in a Chinese context. Chinese philosophy highlights qualitative description and explores meaning, which has many similarities with the non-positivist approach.⁷²³

Chinese thinking patterns, Chinese management theories, perceptions of Chinese management, and China's cultural environment and policies are all considered. These factors reflect the cognitive complexity of the nature of the Digital Music Industry. From the perspective of interpretivism, people need to take the initiative to understand and explain. The most significant advantage of interpretivism is that it facilitates the understanding of "how" "and why".⁷²⁴ Moreover, it allows for complexity and contextual factors when linked with correlation studies on cultural differences.⁷²⁵

As a Chinese scholar, the present researcher was also influenced by dialectical thinking. Dialectical thinking reflects and conforms to the analytic development process of reality and its regularity.⁷²⁶ Dialectical thinking allows researchers to understand the relationship between things better. It helps to improve the ability to manage complex situations and deal with complex

⁷²³ David L. Hall, and Roger T. Ames. *Thinking from the Han: Self, Truth, and Transcendence in Chinese and Western Culture*. Suny Press, 1998.

⁷²⁴ Colin Hay. "Interpreting Interpretivism Interpreting Interpretations: The New Hermeneutics of Public Administration." *Public administration*, vol. 89, no. 1, 2011, pp. 167-182.

⁷²⁵ Malcolm Williams. "Interpretivism and Generalisation." *Sociology*, vol. 34, no. 2, 2000, pp. 209-224; Ron Weber. "Editor's Comments: The Rhetoric of Positivism Versus Interpretivism: A Personal View." *MIS Quarterly*, vol.1, 2004, pp. 3-12.

⁷²⁶ Cecilia Chen. "Dialectical Thinking and Coping Flexibility: A Multimethod Approach." *Journal of Personality*, vol. 77, no. 2, 2009, pp. 471-494.

problems.⁷²⁷ The context of China's Digital Music Industry especially involves complicated social interests.⁷²⁸ Any form of approach is acceptable as long as the research objectives are clear and the method of argumentation is based on practice adapted to local conditions.⁷²⁹ Also, it is important that theories must be consistent with reality.⁷³⁰ To better understand and analyse the influence of external factors on the Digital Music Industry, it was necessary to apply dialectical thinking in this research. However, because many things cannot be verified through short-term practice, and it is important to understand that it is hard to produce data in a quantifiable form, the thinking mode of pure materialism was not deemed appropriate for this research. Dialectical thinking was only used in this research as a tool to help to understand and analyse the complex external environment of Digital Music in a Chinese context.

There are two Chinese philosophical theories which may also contribute to this research when faced with the influence of complex external environmental factors. Both of these two Chinese philosophical approaches are partly based on western philosophy combined with traditional Chinese thinking.

Dongsun Zhang proposed one approach, which has used to offer, a Chinese philosopher, introduced Western thought in a way, which was compatible with the specific methodology of

⁷²⁷ Andrew P. Allen, and Kevin E. Thomas. "A Dual Process Account of Creative Thinking." *Creativity Research Journal*, vol. 23, no. 2, 2011, pp. 109-118.

⁷²⁸ John Fangjun Li. "The Development of the Digital Music Industry in China During the First Decade of the 21st Century with Particular Regard to Industrial Convergence." *International Journal of Music Business Research*, vol. 2, no. 1, 2013, pp. 63-86.

⁷²⁹ Fredric Jameson. *Marxism and form: Twentieth-Century Dialectical Theories of Literature*. Vol. 312. Princeton University Press, 1974.

⁷³⁰ W Michael Hoffma, and Jennifer Mills Moore. "What is Business Ethics? A Reply to Peter Drucker." *Journal of Business Ethics*, vol. 1, No. 4, 1982, pp. 293-300.

traditional Chinese thought since 1920.⁷³¹ Culture can be viewed as an entity composed of several specific discourses and relations.⁷³² Pluralistic epistemology represents the core of Zhang's philosophical system.⁷³³ It is derived from a revised version of Kant's philosophy.⁷³⁴ Kant pointed out that it is people who are constructing the real world and, in the process of knowing things, people are more important than things themselves.⁷³⁵ Zhang's philosophy advocates the view that sense impressions are non-being; the structured order of relations is all that exists in the cosmos.⁷³⁶ Therefore, the relationship between the external world and our subjectivity is interactive and correlative. This provides a perspective and research prospect for western academia to understand Chinese philosophy by recognising the fact that comprehension, analysis and transmission of reality are based on diversely structured socio-political contexts as well as on different categorical and essential postulates. On the other hand, the features of Chinese ways of thinking, cultural peculiarities and cognitive habits make it difficult for foreign managers to get used to different semantic patterns and contexts and to understand the findings of Chinese management research. These epistemological problems are also addressed by the ontology of this study.

The methodology of dialectical logic has existed in China since ancient times; one (Taiji) begets

⁷³¹ Jana Rošker. "A Chinese View on the Cultural Conditionality of Logic and Epistemology: Zhang Dongsun's Intercultural Methodology." *Asian Studies*, vol. 3, no. 1, 2010, pp.43-60.

⁷³² Xinyan Jiang. "Zhang Dongsun: Pluralist Epistemology and Chinese Philosophy." *Contemporary Chinese Philosophy*, vol. 1, no. 1, 2002, pp. 57-81.

⁷³³ Dongsun Zhang. *Zhi Shi Yu Wen Hua*. Changsha: Yue lu shu she, 2011.

⁷³⁴ Dongsun Zhang. *Lun Li Xue Gang Yao*. Beijing: Beijing zhong xian tuo fang ke ji fa zhan you xian gong si, 2012; Dongsun Zhang. *Jia Zhi Zhe Xue*. Beijing: Beijing zhong xian tuo fang ke ji fa zhan you xian gong si, 2012.

⁷³⁵ Immanuel Kant. *Immanuel Kant on Philosophy in General*. Calcutta: University Press, 1935.

⁷³⁶ Dongsun Zhang. *Zhi Shi Yu Wen Hua*. Changsha: Yue lu shu she, 2011.

two (Liangyi), two (Liangyi) begets four (Sixiang), and four (Sixiang) begets eight (Bagua).⁷³⁷

Dialectics is a trinity of monist view, epistemology, and methodology. Chinese first knew yang (positive), then yin (reverse), and found that yin and yang were a fusion, named Taiji (unity). This is a dialectical movement as well as a process of deduction. The continuous interpretation is like the Sixiang and Bagua. The relationship between Tai Chi and Yin Yang is both inductive and deductive. Taiji is actually Liangyi and vice versa, so the positive and the negative are the same in terms of interpretation, and the analysis is a synthesis in terms of induction.

A Chinese scholar proposed another approach, which has used to offer. Heesung Kim has established a theory named subjective materialism (also known as rune philosophy or postmodern materialism).⁷³⁸ His philosophy is similar to Marxist philosophy and Heidegger's existential philosophy.⁷³⁹ This is a virtual materialist philosophical system that emphasises virtual reality and epistemology.

On the level of value theory, subjective materialism is ultimately the metaphysics of the study of the meaning of existence, and the ontology and epistemology of the sense of all reality are ultimately the philosophy of life. In combination with the ancient eastern philosophy, his research on the influence of regional factors on people's values and beliefs is valuable. First, the

⁷³⁷ Heinrich Geiger. "Sign, Image and Language in The Book of Changes (Yijing 易经)." *Frontiers of Philosophy in China*, vol. 8, no. 4, 2013, pp. 607-623; Anna Iwona Wójcik. "The Image of the World in Yijing 易经—an Attempt to Identify the Intellectual Context Proper to Chinese Philosophy." *Estetyka i Krytyka*, vol. 32, no. 1, 2014, pp. 117-136.

⁷³⁸ The translation of the above three philosophical names is a Chinese-English translation. The subjective materialism philosophical theory was originally written in Chinese, but there is no corresponding vocabulary in English. Heesung Kim. "The Significance of Subjective Materialistic Thought in Kant's Philosophy." *Proceedings of the XXIII World Congress of Philosophy*, vol. 23, no.1, 2018, pp. 14-37.

⁷³⁹ Xicheng Jin. *Cun Zai De Jing Ji Xue Yan Jiu*. Ha er bin: Hei long jiang ren min chu ban she, 2003.

philosophy of subjective materialism is a kind of worldview. There are three meanings in this respect: one layer means that self-consciousness has particular social and historical significance; the other layer means that self-consciousness is reflective and correct; the third is meant to narrate that this self-consciousness is subjective, that is, the subject's self-consciousness. Subjective materialism believes that philosophy is based on the worldview of the subjective self-consciousness of human beings in the world and the methodology of the interconnection and integration between the human (self) and the world and between people.⁷⁴⁰ It establishes an organic structural system on ontology, and then the superstructures such as values, outlook on life, social history and social politics can be built on it. It is believed that human cognition is the continuous exchange of information between consciousness and matter. Subjective materialism builds a connection between human and reality and is useful to help understand the reasons for the development of things in a particular environment. This kind of philosophical cognition can help the researcher to better understand the contradictions in the background of different cultures when processing interview data.

Consequently, an understanding of Chinese cognition, beliefs or behaviours in the context of Chinese experience and culture (the historical and cultural contexts) recognises that Chinese people do not just potentially see the world differently in contrast with western people but experience it differently too. Accordingly, non-positivist methods hold that historical events are unique and non-repeatable, so there are no rules to follow, and it is impossible to predict people's

⁷⁴⁰ Hee-sung Kim. "Zhu Guan Wei Wu Zhu Yi Zhe Xue He Yi Ke Neng?" *Proceedings of the XXII World Congress of Philosophy*, vol. 16, no.4, 2008, pp. 357-367.

behaviour.⁷⁴¹ As mentioned above, the differences in values, thinking, and environment greatly affect research development and the application practice of academic theories, which is also influenced by ontological differences. However, subject and object are not two distinct entities, social phenomena do not exist objectively, but are affected by subjective value factors.⁷⁴² The impact of difference is particularly the case for China. Even though the mature Digital Music Industry in the west has been studied by numerous scholars, many problems which hinder the development of the Digital Music in China still need reliable research. Accordingly, the relationship between the Digital Music Industry is not subjected to causality like natural phenomena, which is why this study is the main reason for practical interpretations.

5.1.2 Ontology

Ontology is the philosophy of typological understanding and ordering of artefacts, species, people etc.⁷⁴³ For Chinese, it is also a system of belief that reflects an interpretation of any individual about what constitutes a fact.⁷⁴⁴ As mentioned earlier, constructivism implies that knowledge is created instead of being discovered. Therefore, there is no absolute correctness and objectivity, and this fact is the reason that this research aims to explore the applicability of western theories in the Chinese context. It is assumed that human behaviour is a meaningful

⁷⁴¹ Peter D. Ashworth. "The Variety of Qualitative Research. Part two: Non-positivist Approaches." *Nurse Education Today*, vol. 17, no. 3, 1997, pp. 219-224.

⁷⁴² Gerard Guthrie. *Basic Research Methods: An Entry to Social Science Research*. Los Angeles, CA: SAGE Publications, 2012.

⁷⁴³ Michael Q. Patton. *Qualitative Research & Evaluation Methods: Integrating Theory and Practice*. London, England: Sage Publications Ltd, 2011; Norma R. A. Romm. *Responsible Research Practice: Revisiting Transformative Paradigm in Social Research*. New York City, NY: Springer, 2018.

⁷⁴⁴ Xiaofan Fu. *Song Ming Dao Xue Xin Lun: Ben Ti Lun Jian Gou Yu Zhu Ti Xing Zhuan Xiang = Newly Research of Song and Ming Dynasties' Philosophy: Construction of Ontology and Turn of Subjectivity*. Beijing: She hui ke xue wen xian chu ban she, 2005.

action, which completes cognition through human consciousness and emotional effects. A human being not only pursues meaning through himself or herself but also gives meaning to the world through others. Thus, the degree of applicability of western theories in the Chinese environment needs to be considered in accordance with other surrounding factors. Ontology has been chosen for this study to obtain an “insider” view of the Digital Music Industry in a Chinese context.⁷⁴⁵ A whole set of studies have shown that an insider’s perspective allows for particular sensitivity, empathy, and understanding of things that may not be clear to outsiders.⁷⁴⁶ The most fundamental relationship between human beings and the world is understanding. Because of practice, people understand, and the purpose of knowledge is to practice.⁷⁴⁷

Furthermore, the same as with epistemology, there is a certain difference between Chinese and western ontology. Ancient Chinese ontology originates from people’s most immediate experiences, while western ontology is based on language structure beyond experience.⁷⁴⁸ Society is affected differently by the geographical environment at different stages of productivity boost. In the earlier stages of human society, higher dependence on nature was more significant,

⁷⁴⁵ Susan Margaret King. “Ontologies.” Berkeley, CA: University of Southern California Digital Library, 2016.

⁷⁴⁶ Sonya Corbin Dwyer, and Jennifer L. Buckle. “*International Journal of Qualitative Methods*”, vol. 8, no. 1, 2009, pp. 54-63; Mengxuan Annie Xu, and Gail Blair Storr. “Learning the Concept of Researcher as Instrument in Qualitative Research.” *The Qualitative Report*, vol. 17, no. 21, 2012, pp. 1-18; Melanie J. Greene. “On the Inside Looking in: Methodological Insights and Challenges in Conducting Qualitative Insider Research.” *The Qualitative Report*, vol. 19 no. 29, 2014, pp. 1-13.

⁷⁴⁷ William Jaworski. “Philosophy of Mind: A Comprehensive Introduction.” *Philosophy in America An Ams Reprint*, vol. 10, no.27, 2011, pp. 515-516.

⁷⁴⁸ Chris Fraser. “Language and Ontology in Early Chinese Thought.” *Philosophy East and West*, vol. 57, no. 4, 2007, pp. 420-456.

thus, the geographical environment played a decisive role.⁷⁴⁹ This vital role of geographical context primarily restricted the evolution direction of the ontology of China and the west at that time. However, with the acceleration of the current globalisation process, some cognitions can also meet with a consensus.⁷⁵⁰ In Chapter Two, the present research has demonstrated the development of Chinese and western thought and cognition at the same stage; behind the evolution of the theory of text, is a radical reform of Chinese and western management method.

Moreover, as a Chinese musician, the present researcher's insider perspective adds to the research strengths of this study. In this case, the researcher can draw on shared experiences, interests and language, which can stimulate rapport and interviewer-interviewee interaction.⁷⁵¹

Merton stated this principle succinctly:

Insiders can gain access more easily... Insiders already have an informed knowledge of the culture, politics, power relationships and issues of the study setting.⁷⁵²

As an insider, the researcher had access to a greater amount of precious data, and familiarity

⁷⁴⁹ Egon G. Guba, and Yvonna S. Lincoln. "Competing Paradigms in Qualitative Research." *Handbook of Qualitative Research*, vol. 2, no.163, 1994, pp. 105-177; Fekede Tuli. "The Basis of Distinction Between Qualitative and Quantitative Research in Social Science: Reflection on Ontological, Epistemological and Methodological Perspectives." *Ethiopian Journal of Education and Sciences*, vol. 6, no. 1, 2010, pp. 9-17; Sayyed Rashid, Shah, and Abdullah Al-Bargi. "Research Paradigms: Researchers' Worldviews, Theoretical Frameworks and Study Designs." *Arab World English Journal*, vol. 4, no.4, 2013, pp. 17-33.

⁷⁵⁰ Ming Dong. Gu, and Jianping Guo. "How Can We Cross the Intellectual Divide between East and West? Reflections on Reading Toward a Complementary Consciousness and Mutual Flourishing of Chinese and Western Cultures: The Contributions of Process Philosophers". *Philosophy East and West*, vol. 65, no. 1, 2015, pp. 298-315.

⁷⁵¹ Robert G. Burgess. *In the Field: An Introduction to Field Research*. London, England: Routledge, 2002; Donald O. Case, and Lisa M. Given. *Looking for Information: A Survey of Research on Information Seeking, Needs, and Behavior*. Bingley, West Yorkshire: Emerald, 2016.

⁷⁵² Robert K. Merton. "Insiders and Outsiders: A Chapter in The Sociology of Knowledge." *American Journal of Sociology*, vol. 78, no. 1, 1972, pp. 9-47.

enabled the researcher to discern the authenticity of the account in the context of the Digital Music Industry. It is also of benefit to be able to make connections between different accounts and ensure the distinctiveness of each account missing in the process of generalisation.⁷⁵³

This study aims to link management theory and practical experience with Digital Music in the Chinese environment from an insider's viewpoint. The research followed a perspective mentioned in Marxism. It is advocating the transformation of the world but does not negate the importance of explaining the world or knowing the world.⁷⁵⁴ Only the active practice of human beings can prove rational thinking and the truth of consciousness. Philosophers must not only explain the world, more important is to transform the world in practice through the influence of philosophy.⁷⁵⁵ In other words, the practical theory needs to be combined with reality and able to be applied effectively. In the process of the world's transformation, people have also revolutionised themselves, and the change of the environment and the overall development of human beings can only be understood through practical application.

⁷⁵³ Roger Evered, and Meryl Reis Louis. "Alternative Perspectives in the Organisational Sciences: Inquiry from the Inside and Inquiry from the Outside." *Academy of Management Review*, vol. 6, no. 3, 1981, pp. 385-395; Sharan B. Merriam, et al. "Power and Positionality: Negotiating Insider/Outsider Status within and Across Cultures." *International Journal of Lifelong Education*, vol. 20, no. 5, 2001, pp. 405-416; Robert V. Labaree. "The Risk of "Going Observationalist": Negotiating the Hidden Dilemmas of Being an Insider Participant Observer." *Qualitative Research*, vol. 2, no. 1, 2002, pp. 97-122; Teresa Brannick, and David Coghlan. "In Defense of Being Native: The Case for Insider Academic Research." *Organisational Research Methods*, vol. 10, no. 1, 2007, pp. 59-74.

⁷⁵⁴ Martyn Hudson. *Species and Machines: The Human Subjugation of Nature*. Oxford, Oxfordshire: Milton Taylor and Francis, 2017.

⁷⁵⁵ Xinyan Wang. "The Eastward Spread of Western Learning and the Sinicization of Marxist Philosophy." *Social Sciences in China*, vol. 34, no. 3, 2013, pp. 5-19

Hence, the ways the present researcher draws connections between assumptions (ontology) and how valid management theories (epistemology) might develop from a Chinese insider view is central to this research and is a claim to contributing towards new knowledge. Moreover, the theoretical framework in this research aims to fit with the research observation and research subjects to identify and analyse the appropriate western management models, frameworks and systems at the same time and analyses how these compare with on-ground practices and what they indicate in the perspective of a Chinese management context.⁷⁵⁶

5.2 Methods Employed

The research will more focus on words instead of numbers and charts because of adopting the qualitative research method. Qualitative methods do not relate to numerical interpretations. As Patrick comments:

“Qualitative research is not looking for principles that are true all the time and, in all conditions, like laws of physics; rather than the goal is understanding of specific circumstances in a complex world.”⁷⁵⁷

⁷⁵⁶ According to interview 10, the development of China's Digital Music Industry is a process of learning from the West and localizing the western model, to develop a Chinese characteristic model. Observation is the most basic method of thinking. In other words, the practical theory needs to be combined with reality and able to be applied effectively. In the process of the world's transformation, people have also revolutionised themselves, and the change of the environment and the overall development of human beings can only be understood through practical application.

⁷⁵⁷ Patrick Dille. “Interviews and the Philosophy of Qualitative Research.” *The Journal of Higher Education*, vol. 75, no. 1, 2004, pp. 127-132.

According to Alan Bryman and Emma Bell, qualitative research is an appropriate approach for investigation in business and management administration.⁷⁵⁸ Such qualitative researchers who are insiders of the study of population and outsiders have considered the impact of insider epistemology and ontology.⁷⁵⁹ For instance, an insider has such a deep understanding based on inside knowledge that the outsider does not have. If the researcher conducts research in his or her organisation, institution or profession, the researcher will have access to inside knowledge that an outsider will not be able to gain.

They emphasised that researchers should be close to the realities of management, establish their foresight and familiarity through direct personal experience and second-hand experience of others, and cannot always dialect on the edge of the real world. Qualitative methods are often applied in case studies where the information can be collected from a restricted number of subjects under study.⁷⁶⁰ It usually focuses on the meaning and perceived realities rather than facts. In this study will explore why managers will make such strategic management choices, with consideration of cultural and historical interpretations. Moreover, the qualitative research method ensures that participants were able to provide as much or as little detail as they wish to offer, besides interpretation of the questions to their desire. Thus, qualitative research is applicable in the case of insufficient data or weak mathematical knowledge of researchers.

⁷⁵⁸ Alan Bryman, and Emma Bell. *Business Research Methods*. Oxford, Oxfordshire: Oxford University Press, 2016. pp. 421-423

⁷⁵⁹ Marilyn E. Asselin. "Insider research: Issues to Consider When doing Qualitative Research in Your Own Setting." *Journal for Nurses in Professional Development*, vol. 19, no.2, 2003, pp. 99-103.

⁷⁶⁰ Christina, Quinlan., Barry J. Babin, Jon Carr, Mitch Griffin, and William G. Zikmund. *Business Research Methods*. Cengage Learning EMEA, 2015. p23.

Furthermore, according to Jane Ritchie et al., a key advantage of applying qualitative methods in research is that the method is related to the overall picture in a way that quantitative methods are not.⁷⁶¹ The qualitative research method is more appropriate to achieve the purpose of this research since this study focuses on the impact of the external environment for the choice of management strategies. In practices, thoughts, judgement, and opinions are difficult to measure quantitatively. By applying qualitative research methods to the firm being studied, it will be possible for the researcher to understand perceptions and views regarding the determinants of China's Digital Music management strategy. It provides the infrastructure for the researcher's entire research project, which is a blended epistemology from social sciences (cultural management) and business. Thus, qualitative research is exploratory and can help to establish hypotheses in subsequent analysis.

Besides, the essential rule of qualitative methods is to understand, interpret, and observe in natural settings with closeness to data in the form of an insider view.⁷⁶² The value of qualitative research lies in its emphasis on understanding social phenomena. It will enable the development of concepts and constructing management theories in the context of China's Digital Music Industry. Meanwhile, it is very helpful in the design of the open-ended questions which gave the opportunity to participants to reflect their life and the outlook for the industry where they can evaluate their experience about creative industries which are both insightful for the interviewees and the researcher, in addition to the flexibility and variation of responses that qualitative

⁷⁶¹ Jane Ritchie, et al, eds. *Qualitative Research Practice: A Guide for Social Science Students and Researchers*. Los Angeles, CA: Sage, 2013.

⁷⁶² Pervez N. Ghauri., Kjell Grønhaug, and Ivar Kristianslund. *Research Methods in Business Studies: A Practical Guide*. New York, NY: Prentice-Hall, 1995.

research can provide.⁷⁶³

Moreover, qualitative research is also a useful tool for theory construction when relevant theories and literature are scarce, particularly suitable for exploring theories in the context of Chinese culture. Therefore, the knowledge acquired in this discipline is socially constructed rather than objectively determined and tested.⁷⁶⁴ The choice of these theories based on the researcher's theoretical perspective-philosophical world view and social life. (Personal background as a musician and researcher in China/ inside views).

5.3 Research Paradigms and Methods

5.3.1 Inductive Approach

The inductive approach has been adopted to analyse China's Digital Music Industry and management section in this research (Chapter 4, 6). This approach focuses on what practitioners are doing and how they devise strategies in practice. Additionally, this research not only focuses on analysing why things happened but also focuses on the impact of events and how they changed management thinking in the Digital Music Industry. The research reasoning is based on learning from experience from Chinese Digital Music managers.

According to Bryman and Bell, methods are hierarchical, which means that, and different ways

⁷⁶³ Alan Bryman, and Emma Bell. *Business Research Methods*. Oxford, Oxfordshire: Oxford University Press, 2016.

⁷⁶⁴ Laurel Anderson, Hudson, and Julie L. Ozanne. "Alternative Ways of Seeking Knowledge in Consumer Research." *Journal of Consumer Research*, vol. 14, no. 4, 1988, pp. 508-521; David Carson., A Gilmore, C Perry, and K Gronhaug. *Qualitative Marketing Research*. London, England: Sage, 2001. p. 5; Peter L. Berger, and Thomas Luckmann. *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*. New York, NY: Open Road Integrated Media, 2011. p.3.

have their specific application scope and application objects.⁷⁶⁵ Regarding the scientific method, the researcher uses an inductive approach based on the ontology as Jonathan A. Smith claimed:

“The inductive approach should be adopted if the research intends to analyses why things happen rather than the trends in what is happening.”⁷⁶⁶

Generally, inductive research “involves the search for pattern from observation and the development of explanations –theories–for those patterns through a series of hypotheses.”⁷⁶⁷ In this study, the researcher will investigate the determinants that affect the management strategy of firms by developing a case study.

Because the western management theory system is mature, it is an exact process by which it can be verified that such elements which affect the management from west Digital Music Industry are the same for a Chinese context. It is debated whether western management theories, especially the strategic management theories, apply to China’s Digital Music Industry. Moreover, the researcher trying to find management ideas that are common or widely applicable with a particular focus on business approaches in other contexts through secondary research into relevant Western strategic management theory. The subject fieldwork will examine successful

⁷⁶⁵ Alan Bryman, and Emma Bell. *Research Methodology: Business and Management Contexts*. Cape Town: Oxford University Press Southern Africa, 2014.

⁷⁶⁶ Jonathan A. Smith. “Reflecting on the Development of Interpretative Phenomenological Analysis and Its Contribution to Qualitative Research in Psychology.” *Qualitative Research in Psychology*, vol. 1, no. 1, 2004, pp. 39-54.

⁷⁶⁷ Pervez N. Ghauri., Kjell Grønhaug, and Ivar Kristianslund. *Research Methods in Business Studies: A Practical Guide*. New York, NY: Prentice-Hall, 1995.

management experience and aim to explore how the experience might allow the manager to use theories that might operate in a Chinese context.

According to the literature review to understand the situation in Digital Music development in China, the researcher intends to find out how to make Digital Music Industry in China more efficient by discussing observed patterns, resemblances and regularities experience.

5.3.2 Comparative Approach

Comparative research is a research methodology in the social sciences, and it compares objective things to achieve the understanding of nature and laws to make a correct evaluation.⁷⁶⁸ The starting point of the research emphasises on the study from the practical experience of management rather than from the general principle by using a comparison method to study and summarise management experience and its effectiveness. The primary goal is able to identify a gap that will address the obstacles to the theoretical application of western management theories in China's Digital Music Industry.

Peer C. Fiss and Carsten Q. Schneider both have drawn attention to the fact that, it is the act of comparing two or more interconnected things to discover something about one or all of the things being compared or whether coordinated the relationships.⁷⁶⁹ In the comparative analysis, a

⁷⁶⁸ Thomas Clarke. *International Corporate Governance: A Comparative Approach*. London, England: Routledge, 2007, p8, p15-17; Tobias J. Cwik, et al. "A New Comparative Approach to Macroeconomic Modeling and Policy Analysis." *Journal of Economic Behavior and Organisation*, vol. 83, no. 3, 2012, pp. 523-541.

⁷⁶⁹ Peer C. Fiss. A Set-theoretic Approach to Organisational Configurations. *Academy of Management Review*, vol. 32, no.4, 2007, pp.1180-1198; Carsten Q. Schneider, and Claudius Wagemann. *Set-theoretic Methods for the Social Sciences: A Guide to Qualitative Comparative Analysis*. Cambridge University Press, 2012.

critical step is to choose the appropriate comparison standard. If the choice is suitable, the objective evaluation can be made. Otherwise, inappropriate selection may lead to wrong conclusions.⁷⁷⁰

Comparative research can take many forms. Two key factors are space and time. Linda Hantrais has expressed that cross-national comparisons are by far the most common for spatially comparison.⁷⁷¹ Although comparisons within countries, contrasting different areas, cultures or governments also exists and are very constructive.⁷⁷² Especially in a country like China, where policies often affect the actual development of the industry.⁷⁷³ The impact of policies on the market environment is a critical element in strategic management and one of the cores of this research.

This study mainly compares timeline development from a historical perspective, comparing two events of the same nature in the same period that indicating the contrast relationship of similar phenomena under different spatial conditions. Chapter 2 examines the history of management

⁷⁷⁰ James Mahoney, and Dietrich Rueschemeyer, eds. *Comparative Historical Analysis in the Social Sciences*. Cambridge, Cambridgeshire: Cambridge University Press, 2003.

⁷⁷¹ Linda Hantrais. "Comparative Research Methods." *Social Research Update*, vol. 13, no. 1, 1995, pp. 2-11; Linda Hantrais. "Contextualization in Cross-national Comparative Research." *International Journal of Social Research Methodology*, vol. 2, no. 2, 1999, pp. 93-108; Linda Hantrais. *International Comparative Research: Theory, Methods and Practice*. London, England: Macmillan International Higher Education, 2008.

⁷⁷² Linda Hantrais, and Stephen P. Mangen, eds. *Cross-National Research Methods*. London, England: A&C Black, 1996.

⁷⁷³ Lauri Johnson, Jorunn Moller, Stephen Jacobson, and Kam Cheung Wong. "Cross-national Comparisons in the International Successful School Principalship Project (ISSPP): The USA, Norway and China." *Scandinavian Journal of Educational Research*, vol. 52, no. 4, 2008, pp. 407-422; Cristina B. Gibson, and Dana M McDaniel. "Moving Beyond Conventional Wisdom: Advancements in Cross-Cultural Theories of Leadership, Conflict, and Teams." *Perspectives on Psychological Science*, vol. 5, no.4, 2010, pp. 450-462; Daniel C K. Chow. "Why Multinational Companies Doing Business in China Fall into the Trap of Making Payments to China's Police." *Richmond Journal of Global Law and Business*, vol. 16, no. 1, 2016, p. 19.

development between China and the West, and Chapter 3, 4 draws a comparison between the Digital Music Industry of China and the West.

Konan Anderson Seny Kan, Emmanuel Adegbite, El Omari and M. Abdellatif has expressed a similar view that the research focus is placed on the theories, methods, and application of the research process rather than on the “what” of the objects.⁷⁷⁴ By comparing these differences with established management theories, the management approach behind these differences can be unearthed, and what strategic considerations underlie management decisions can be understood.⁷⁷⁵ By highlighting China’s unique environmental characteristics, it can highlight the differences between Chinese and western management thinking. In order to be understood, it presents the difference in business patterns with different cultural backgrounds through thinking about the impact of market conditions on consumers and strategic management. Moreover, it presents information on historical changes, which have shaped the Digital Music Industry as people perceive it today.

Furthermore, this research collects both primary and secondary data for analysis. Joop J. Hox and Hennie R. Boeijs stated that primary data are usually collected for specific and research topics at hand to fit the problem best.⁷⁷⁶ However, since Digital Music as a research subject, its academic references in Chinese context are much less than in the West. Thus, data collection

⁷⁷⁴ Anderson Konan Seny Kan., Adegbite E, El Omari S, and Abdellatif M. “On the Use of Qualitative Comparative Analysis in Management.” *Journal of Business Research*, vol. 69, no.4, 2016, pp. 1458-1463.

⁷⁷⁵ Keri E. Pearlson, Carol S. Saunders, and Dennis F. Galletta. *Managing and Using Information systems: A Strategic Approach*. Hoboken, NJ: John Wiley & Sons, 2019.

⁷⁷⁶ Joop J. Hox, and Hennie R. Boeijs. *Data Collection, Primary Versus Secondary*. Elsevier, 2005.

needs to be done in multiple ways. The research used a social science technique called triangulation to support the primary method to achieve its objectives. According to Nancy Carter et al., triangulation aims to increase the credibility and validity by cross-checking data from multiple sources to search for regularities in the research data.⁷⁷⁷ Therefore, the research will reinterpret secondary data from multiple channels such as archives, newspapers to verify its authenticity and also to extract primary data. Then researcher cross-checking data which collect through interviews and analyse the selected company-QQ Music.

5.3.3 Secondary Research

The researcher considered western cultural management and strategic management theories covering marketing, product development, resource management in the digital industry, which are also closely related to a Chinese context. Through the study of western approaches, some scholars assure the theories apply directly to China's environment addressed in Chapter 2. It means that mature management models like standards systems (TQM) are more acceptable in terms of applications in the Chinese context.⁷⁷⁸ Chapter 2 and 3 covers the theoretical and historical context for the development of management and the Digital Music Industry worldwide up-to-day.

The research is built on a literature review of the historical development of Digital Music from

⁷⁷⁷ Nancy Carter, D. Bryant-Lukosius, A DiCenso, et al. "The Use of Triangulation in Qualitative Research." *Oncology Nursing Forum*. vol. 41. no. 5. 2014, p. 1-17.

⁷⁷⁸ Yahaya Yusuf, Angappa Gunasekaran, and Guo Dan. "Implementation of TQM in China and Organisation Performance: An Empirical Investigation." *Total Quality Management*, vol. 18, no. 5, 2007, pp. 509-530; Xingxing Zu, et al. "Quality Management in China: the Effects of Firm Characteristics and Cultural Profile." *International Journal of Quality & Reliability Management*, vol. 28, no. 8, 2011, pp. 800-821.

1988 to 2015. It incorporates an introduction to the study of Digital Music history through an overview of two historical periods: before and after 2003. In order to facilitate subsequent research and help the reader to understand easily, the research beginning with a full interpretation of the definition of Digital Music. Then it summarises the technological development of Digital Music, with a clarification to the cause of changes in the Digital Music Industry. Digital Music is more like a technical product, which is directly controlled by the shift in technology. Accordingly, construction of a certain degree of a theoretical framework of technological development is essential at this point. Then drawing from reliable and scholarly sources, the research comprehensively analyses the technological evolutions and progress of the development of Digital Music.

Moreover, it analyses the development of the Digital Music Industries framework worldwide, for the sake of comparison to the tendencies and trends emerging in China in a later Chapter. In this Chapter, the development of the Digital Music Industry has been divided into nine phases. It includes the enlightenment of Digital Music, Digital Music as an entertainment service online, streaming audio service and online market, online music download platform, portable digital devices, digital piracy, the launch digital empire of Apple and YouTube, new approaches in sales models. Each phase has been explained. The researcher analyses the internal and external factors of Digital Music Industry management to pave the way for the subsequent interface with strategic management theory.

5.3.4 Primary Research

This study argues that the perception of the complex world is achieved by researching the experiences and perspectives of the people living in the world based on interpretivism. Accordingly, the researcher will use methods such as interviews, case study and participatory observations to understand explain and reconstruct these concepts and meanings through scientific method and language. Meanwhile, the research using a large number of archives to construct a timeline for the development of Digital Music management in a Chinese context. It aims to interpret the changes in management development and analyses the causes and development trends of the changes.

5.3.4.1 Analysis of Primary Sources Relating to China's Digital Music Industry.

The research required a comprehensive understanding of management theories in general. Therefore, the researcher systematically summarised the development of management theories (firstly by historical development and secondly by theme or concept of management) which aims to review the literature on management research worldwide in order to develop management approaches suitable for China's Digital Music Industry. The research seeks to build an understanding of how management and operational systems, developed with a western context, can be effectively applied to a non-western context.

Chapter 4 begins with a review of secondary literature on the Digital Music Industry in China. Despite the fact that Digital Music Industry is relatively young in China, is developing quickly, the academic environments that favour its expansion, through associated research, are still not very competitive. While much information is available on the network but there are very few

formal academic papers and that too are for very early period. Most of the data needs to be verified before it can be used. In this case, the researcher plans to undertake primary research using archive sources to fill the gap for a complete timeline of China's Digital Music development from 1999 to 2015 by an overview which has substantially been taken from the Chinese websites, weekly newspapers, magazines. The researcher also will analyses some statements from interviews to explain the development tendency of China's Digital Music Industry.

Besides, the researcher will combine the primary research with particular market policies that can affect the company's growth and may cause issues for QQ Music and China's Digital Music Industry.

5.3.4.2 Case Study

According to Yin, a case study design should be considered when the objective of the study is to answer the question of "how" and "what".⁷⁷⁹ It might have certain limitations to address the topic through literature and text-based material. The practice of management theory under different cultures provides more in-depth observations which can be explored with the help of a case study. As regards to the research objectives and questions, the researcher intends to analyse the case study to find answers to 1) what management problems the company in question is facing, and 2) how the factors affect their strategy in managing a business in the Digital Music

⁷⁷⁹ Robert K. Yin. *Case Study Research: Design and Methods*. Thousand Oaks, CA: Sage Publications, 2003; Pamela Baxter, and Susan Jack. "Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers." *The Qualitative Report*, vol. 13, no. 4, 2008, pp. 544-559.

Industry. Responses in the case study facilitate extraction of insider knowledge about the decision-making process of the company. The type of case study applied in this dissertation is an instrumental case study. The instrumental case study provides the researcher with the opportunity to gain insights into a specific issue. According to Robert E Stake's statement, an instrumental case study is recommended when the researcher aims to gain an understanding of a particular situation or phenomenon.⁷⁸⁰

The case study will provide primary data in the research. Bryman stated that case study design involves detailed and intensive analysis of a single or few cases where the purpose is to study the complex nature of a case.⁷⁸¹ It has been applied to many well-known studies within the field of business and management research. Like Michelle Lowe and Neil Wrigley's study about Tesco, Alton Chua and Snehasish Banerjee's study about Starbucks, Massey Montoya-Weiss and Kent Holcom's study about IBM.⁷⁸² Both are single-case studies that analyses the impact of external environmental influences.

According to Bryman and Bell, the purpose of a case study is to understand the complex nature of cases and their distinctive contexts. The research background of Chinese Digital Music

⁷⁸⁰ Robert E. Stake. *Qualitative Research & Evaluation Methods: Integrating Theory and Practice: The Definitive Text of Qualitative Inquiry Frameworks and Options*. Thousand Oaks, CA: SAGE Publications, 2015.

⁷⁸¹ Alan Bryman. *Research Methods and Organisation Studies*. London, England: Routledge, 1995; Alan Bryman, and Bob Burgess. *Analyzing Qualitative Data*. Hoboken, NZ: Taylor and Francis, 2002; David A. Buchanan, and Alan Bryman. *The Sage Handbook of Organisational Research Methods*. Thousand Oaks, CA: Sage Publications, 2011.

⁷⁸² Anne P. Massey., Mitzi M. Montoya-Weiss, and Kent Holcom. "Re-engineering the Customer Relationship: Leveraging Knowledge Assets at IBM." *Decision Support Systems*, vol. 32, no. 2, 2001, pp.155-170; Michelle Lowe, and Neil Wrigley. "Innovation in Retail Internationalisation: Tesco in the USA." *The International Review of Retail, Distribution and Consumer Research*, vol.19, no. 4, 2009, pp.331-347; Alton Y K. Chua, and Snehasish Banerjee. "Customer Knowledge Management Via Social Media: The Case of Starbucks." *Journal of Knowledge Management*, vol. 17, no.2, 2013, pp. 237-249.

involves cultural difference, value difference and management mode difference. Secondly, considering the difficulty of arranging interview schedules for senior managers. The researcher has decided to use a single case study and has supplemented it with relevant government and media related interview materials to obtain accurate research data. Thus, a single case study creates a framework for discussion on the research question.⁷⁸³

As a case study for this research, QQ Music's special status in China's Digital Music Industry, which will be explained in detail in Chapter 6. Its unique development model is another reason for the selection of QQ Music for this research. Digital Music copyright awareness is one of the most significant differences between Chinese consumers and western consumers.⁷⁸⁴ QQ Music, the platform with the most copyright of music in China, started declaring profits in 2015.⁷⁸⁵ This is a very typical event in the global market. QQ Music struck exclusive distribution deals, for the Chinese market, with large music producers like Sony, Warner Music and South Korea's YG Entertainment from 2014 forwards.⁷⁸⁶ The majority of Chinese users preferred plugging into its e-commerce system, which allowed QQ Music to offer products like virtual/ concert tickets, digital albums, providing an additional line of revenue to its freemium model of advertisements and paid subscriptions. Moreover, QQ Music also collaborated with the famous Swedish music streaming company Spotify that bought 9% stakes of QQ Music as a part of a share swap.⁷⁸⁷ QQ

⁷⁸³ Alan Bryman, and Emma Bell. *Business Research Methods*. Oxford, Oxfordshire: Oxford University Press, 2016.

⁷⁸⁴ Low Ting. "From Baidu to Worse." *Entertainment Law Review*, vol. 20, no. 2, 2009, pp. 64-67; Zhigang Wang. "Current Status of Copyright Awareness of China's Publishing Corporations." *Publishing Research Quarterly*, vol. 25, no. 4, 2009, pp. 208-218.

⁷⁸⁵ Sainan Li, and Fangfang Guo. "The Development Road of a Successful Brand: A Case Study of Tencent QQ." *DigitalNews*, vol. 1, no. 1, 2012, pp. 17-54; Du Lei. *New Transition of Digital Music Copyright Protection in China: A Case Study of Jay Chou's model/Du Lei*. Diss. University of Malaya, 2017.

⁷⁸⁶ Lucy Montgomery, and Eric Priest. "Copyright in China's Digital Cultural Industries." *Handbook of Cultural and Creative Industries in China*, vol. 1, no. 1, 2016, pp. 339-347.

⁷⁸⁷ Xiuqin Lin. "Music Individual Licensing Models and Competition Law." *Remuneration of Copyright Owners*. Berlin, Heidelberg, 2017. pp.189-205.

Music, with strong Chinese characteristics, has a representative research value and has many superior performances on external environmental issues and policy adaptation. As a sample case study, QQ Music is beneficial in the understanding of a business model in the context of China's environment and characteristic, and it provides a research reference for the industry standards of Digital Music in China.

Thus, the case study of QQ Music plays a vital role in helping the researcher to understand the management problems that China's Digital Music Industry is facing and how it has developed management strategies based on external environment changes. In the case study section, the researcher has gained information from journals, and news websites, interviews with senior managers, Digital Music Industry, government-related personnel and has combined it with theories to evaluate the external business environment of QQ Music. For instance, the case study will relate the evidence gathered in the literature review. It will assess at what stage QQ Music is, as a company at different stages, as it faces various problems while making decisions.

5.4. Data Collection and Management

At the beginning of the research, the researcher was prepared to conduct unstructured interviews as the primary method of data collection. Unstructured interviews are more flexible as questions can be adapted and changed depending on the respondents' answers.⁷⁸⁸ The unstructured

⁷⁸⁸ Adela McMurray, Don Scott, and R. W. Pace. *Research: A Commonsense Approach*. Southbank, VIC: Thomson/Social Science Press, 2004; Shaun Best. *Understanding and Doing Successful Research: Data Collection and Analysis for the Social Sciences*. Harlow: Pearson, 2012; Barbara M. Wildemuth. *Applications of Social Research Methods to Questions in Information and Library Science*. Berkeley, CA: Libraries Unlimited, 2017.

interviews allow the respondent to talk in-depth and choosing their own words. This helps the researcher develop a real sense of a person's understanding of a situation.⁷⁸⁹ However, after two interviews with a public official and an attorney who specialises in Digital Music copyright, they suggested that the research should consider using semi-structured interviews. There are two main reasons for this; 1) most of the interviewees in this research are middle or senior managers which makes interview time management is critical; 2) Due to the special nature of their profession and their own job needs, they are more inclined to discuss the issue of a positive image. With the help of several interviewers, the researcher prepares targeted questions for different occupations, thereby improving the efficiency of the interview.

5.4.1 Semi-Structured Interview

The choice of the data collection method has been rationally made keeping under consideration the research questions. Semi-structured interviews were selected for this research project as it can be ensured that the interviews are open and discursive, thus needed material can be generated efficiently. According to Bryman, qualitative methods have their origins in the collection and use of descriptive data.⁷⁹⁰ There is the propensity to use the semi-structured interviews when a case study has been chosen for research. These are useful to produce an exhaustive investigation of the study without elimination of emotions as in-depth responses are used in place of standardised

⁷⁸⁹ Paul Timm, Rick Farr, and Kay Keppler. *Business Research: An Informal Guide*. Menlo Park, CA: Course Technology Crisp, 1994; Chris Voss. "Case Research in Operations Management." *Researching Operations Management*. Melbourne, VIC: Routledge, 2010. 176-209; Sandy Q. Qu, and John Dumay. "The Qualitative Research Interview." *Qualitative Research in Accounting & Management*, vol. 8, no. 3, 2011, pp. 238-264.

⁷⁹⁰ Alan Bryman. *Qualitative Research 2*. Los Angeles, CA: Sage, 2007.

answers.⁷⁹¹

Secondly, the semi-structured interviews approach was selected as the researcher was at the freedom to consider different ways to approach the interviewees. It has two-way communication for more productive, more comprehensive and in-depth information.⁷⁹² Semi-structured interviews are also beneficial to contemplate as an excellent resource for clarification of their experiences in the Digital Music Industry or related sector. This method has been up to answer the research questions to discover the relevant features, and it allowed the selection of prearranged items to engage the topics of interest.⁷⁹³ As Patton claimed:

“There is a convenient side to qualitative methods that simply involves asking open-ended questions of people and observing matters of interest in real-world settings in order to solve problems”.⁷⁹⁴

Semi-structured interviews in management research have great potential due to its flexibility.⁷⁹⁵

It is sufficiently structured to address specific areas of a research question while also leaving

⁷⁹¹ Alan Bryman. “Why do Researchers Integrate/combine/mesh/blend/mix/merge/fuse Quantitative and Qualitative Research.” *Advances in Mixed Methods Research*, vol. 1, no. 1, 2008, pp. 87-100.

⁷⁹² Louise Barribal, and Alison While. “Collecting Data Using A Semi-structured Interview: A Discussion Paper.” *Journal of Advanced Nursing-Institutional Subscription*, vol. 19, no. 2, 1994, pp. 328-335.

⁷⁹³ Silvia E. Rabionet. “How I Learned to Design and Conduct Semi-Structured Interviews: An Ongoing and Continuous Journey.” *Qualitative Report*, vol. 16, no. 2, 2011, pp. 563-566.

⁷⁹⁴ Michael Quinn Patton. *Qualitative Evaluation and Research Methods*. Thousand Oaks, CA: SAGE Publications, 1990. pp. 89.

⁷⁹⁵ Christiane Schmidt. “The Analysis of Semi-structured Interviews.” *A Companion to Qualitative Research*, vol. 1, no. 4, 2004, pp. 253-258; Robyn Longhurst. “Semi-structured Interviews and Focus Groups.” *Key Methods in Geography*, vol. 3, 2003, pp. 143-156.

space for study participants to offer new meanings to the topic of study.

Meanwhile, personal data has only been used to demonstrate the professional and development issues in the Digital Music Industry which included the situation of the working environment, organisational behaviour, and personal experience of management in the Digital Music Industry. The data has been collected through organised interviews and recorded digitally with the approval of the participants. Comments and statements of relevant individuals have been used to support the analysis and for interpretation of data. It is in accordance with Robson who suggested that this is very important, not to change the words spoken, and not to have a lack of contents and expressions.⁷⁹⁶ The researcher has attempted to make a comprehensive record, as much as possible complying with the university's policy on ethic and with permission of the respondents.

The interviewees' responses were recorded on a Sony ICD-PX470 Stereo Digital Voice Recorder and then transcribed into individual Microsoft Word documents with Chinese and English versions. The core points from these word documents were incorporated into the digital record for that respondent. All the interview responses were then thematically classified and anonymised. Some of the data, thus generated, situated within appropriate secondary literature for analysis.

⁷⁹⁶ Nicola J. Petty., Oliver P Thomson, and Graham Stew. "Ready for A Paradigm Shift? Part 2: Introducing Qualitative Research Methodologies and Methods." *Manual Therapy*, vol.17, no. 5, 2012, pp. 378-384.

The total interviews are around 20 and have been held in China. On average, it is planned to take no more than 40 minutes from each interview. As interviews are often from high-level management position and time is at a premium. Some interviews contained sensitive personal data, but this has not been processed. However, some opinions, such as political opinions, can be considered as sensitive data, and there have been processed with the permission of participants as the participants were given an option to withdraw any specific opinion and statements.

5.4.2 Anonymising Data

At the data collection stage, to protect the interviewees' privacy, the researcher will conduct separate interviews while keeping their answers exclusive to each other, to avoid influenced opinions. The recording data obtained from the interview will be confidential in the password-protected computer. The researcher will conduct the interviews and will collate critical points retrieved from the conversations. The results of the investigation were given to the interviewees to get their consent. Any information, which the interviewees were not willing to disclose, will delete. Data anonymising and storage will be done by adherence to the following three principles:

- 1) By removing names and other identifiable information from the data as soon as possible.
- 2) By not disclosing individuals' identity in any report contained in the study.

- 3) By not divulging the information to persons or organisations, requesting for it, without the personal consent of individuals who have participated in the research.

According to Benjamin Saunders, Jenny Kitzinger and Celia Kitzinger, commonly a process of “blanket anonymisation” is put in place, whereby all people, referred to the interview transcripts, field notes, diaries and other data forms, will be anonymised as soon as possible⁷⁹⁷ Thus, real names will be replaced with pseudonyms or reliance is put on initials. Often, places have to undergo a similar process of anonymisation. Such a strategy can be summarised as an attempt to remove background data from the opinions or information gleaned from particular individuals:

- Remove direct identifiers (e.g., personal information such as addresses)
- Aggregate or reduce the precision of variables that might be identifiable (such as Job title).
- Generalise text variables to reduce the probability of identification.
- Restrict continuous variables to reduce outliers.

⁷⁹⁷ Benjamin Saunders., Jenny Kitzinger, and Celia Kitzinger. “Anonymising Interview Data: Challenges and Compromise in Practice.” *Qualitative Research*, vol. 15, no.5, 2015, pp. 616-632.

- Pay particular attention to anonymising relational data - some anonymised variables may become identifiable when they are considered in combination.
- Encryption of data, which contain personal information before being stored.

Moreover, the case study may require the organisation to release the documents that relate to this research. It will help the researcher to analyse the situation and strategies that are being used by the organisation. If this is the case, the names of any gatekeepers will be supplied in advance to the University as and when required in compliance with the ethic procedure. All the electronic files will remain preserved for up to 6 months after the completion of the PhD viva and subsequently would be deleted while taking care that these also have been disposed of from all storage sites.

5.5 Participants

Authentication of all respondents was confirmed by phone and email before conducting face-to-face interviews; some of the interviewees were interviewed through online video calling or directly using a telephone. For the sake of ensuring the protection of participants' rights, prior consent of interviewees was obtained by the researcher before their involvement in the research. Participants were asked to sign a particular consent form before the interview. The research aims and research method, including how the primary data was intended to be kept and used, had been indicated clearly. Since the interviewees were asked to give opinions about firm they were

currently working for, keeping in mind their unwillingness to disclose too much personal information, an anonymous rule was applied to the interview.

5.5.1 Informed Consent

Being from China, no participant could understand English; not being their first language. It was ensured that all the participants had been provided with all the materials in the Chinese language as such all such material was circulated to them in advance of the interview so that they could have an adequate time to read the materials and could ask any questions. All the interviews, during the research, were recorded using Sony ICD-PX470 Stereo Digital Voice Recorder (the audio recording depends on the participants' consent for this). All the transcripts were double-checked in the original language for an accurate understanding by the participants. The core statements of Interviews were then translated into English. The researcher has used the data thus generated to present, analyse and interpret management techniques currently used in the Digital Music Industry in China. The researcher has used the personal information, supplied by the participants willingly, for such purposes which were already described at the time of collection or for the purposes which are legally allowed. All the interviews are for research purposes. As the permission of participants was sought for the specific research purpose, as such data will not be used in any other way. Any further dissemination of data and information will only contain anonymous data from which participants will not be identifiable (if they have wished so).

5.5.2 Why were they Selected?

In order to collect reliable primary data to achieve the research objectives and to answer the

research questions, the researcher has identified the problems and determinants to the management strategy in China's Digital Music Industry by using interviews. In China, there is only one company announced and confirmed that it is sustainably profitable and Chinese music industry does not have more than five relatively well-developed companies. Academic research regarding the development of China's Digital Music Industry is very scarce prior to solving the piracy problem. Accordingly, there are only a few researcheritative professionals having knowledge of Chinese Digital Music Industry.

Since the number of people, who are aware of the Digital Music management in China, is limited, the researcher could not use quantitative methods such as questionnaires to reach a large sample. A large sample may not give a valuable result to the experimental questions as well. Therefore, the small sample size was considered more suitable in contrast with large sample size, because it enabled the researcher to easily work with the qualitative data in order to establish different views.⁷⁹⁸

Accordingly, an interview was considered to be an appropriate approach to reach the target groups. Most of the participants are directly or indirectly related to the Digital Music Industry, and they have reliable professional knowledge in at least one aspect related to Digital Music (like copyright protection, Digital Music production). The core of the difference lies in purposefully connecting the information to a conceptual or theoretical base. Once a topic like

⁷⁹⁸ Mark Easterby-Smith, et al. "Feature Topic: Evaluating the Quality of Qualitative Research." *Organisational Research Methods*, vol. 1, 2008, pp. 11-31.

Digital Music is identified, it needs to be connected with relevant work like external environment and thinking so as to make the outcome of the research clear. Taking advantage of family relationships, the researcher was able to contact the relevant staff in government departments directly. Moreover, being an insider, the researcher had familiarity with social networks for approaching people, especially “hard-to-find” groups in China’s Digital Music Industry. Accordingly, relying on the recommended list from the concerned government department, the researcher found the interviewee with higher credibility and capability who had access to researcheritative figures in the Chinese Digital Music Industry. For instance, lawyers were interviewed to help interpret the policies like IP issues, consumer awareness issues and questions about piracy. The TV media workers in the interviewees enabled the researcher to understand the promotion model of China’s digital industry and it served as a double check regarding the authenticity of the information. Eventually, the research yielded a highly credible data acquisition group and structural framework by having interviews with such people who have an impact on Digital Music management in the Chinese market. The opinions of respondents had a blend of different perspectives and environmental factors.

The interviewees were chosen based on their job description having compatibility with the research issue and were regarded as the most appropriate contributors to provide possible answers to the research questions. It was considered most appropriate for this analysis as respondents had an above-average experience in using China’s Digital Music service and also had the knowledge about the technical processes, IP and configuration of Digital Music. This allowed exclusion of a small part of the sample from analysis due to the lack of awareness with

China's Digital Music Industry.

The selection of participants was done keeping in view their role in the company and middle and senior management level employees in the company were selected. Such a selection is advantageous being the reason that such participants have a better and thorough understanding of the firm's strategic management and are also the decision-makers regarding devising of strategy. Every central interview question had follow-up sub-questions, asking the interviewees to give examples to corroborate their statement. As a result, their response is much more researcheritative and reliable than that of others. Researcher avoided inviting such interviewees who were not at the managerial level of the firm as it might have resulted in an inappropriate, insufficient or wrong information. Although this way of selecting the interviewers might have reduced the number of participants but in turn, it increased researcherity and reliability of the research results. Sample in this research is based on a non-probability approach, which indicates that the selection of the sample is based on a non-random method.

5.5.3 Development of the Interview Technique and Questions

The purpose of this study was to explore how far management and operational systems developed within a Western context can be effectively applied to the Chinese context within the field of the Digital Music Industry. The Follow-up interview questions served the research questions.

As was pointed out by Gillham pointed that progressive focusing should be seen as the best way to understand and investigate the research questions, which will lead to some changes in the initial question leading to new questions to be brought into the research.⁷⁹⁹ My first interview was with a government consultant who had specialised in the field of Digital Music copyright. In the earliest stages of data collection, it is reasonable to be on the look-out for themes that seem to be especially significant, whether from the perspective of the informants, the research question, current debates, or methodology.⁸⁰⁰ Therefore, the purpose of the first interview was to confirm some of the researcher's theoretical doubts through combining theoretical knowledge with actual conditions to deepen understanding of Digital Music Industry in China. It is a good way to learn from the expert opinion and to confirm whether the interview structure and list of planned interviews are reasonable, and to let expert recommend other researcheritative experts in the field. Then, progressive focusing is adopted by showing the analytical process in parallel to the interviewing records and to continue further after it has been done.

The two subsequent interviewees were professional Digital Music managers. Through open-ended questions, the researcher learned more about such special elements, which require extra attention in the management of the Chinese Digital Music Industry. These special elements were consumer awareness, policy environment and the development and change of relevant legal system. As Grindsted pointed out that with the increase of the number of interviews and the improvement of the collected data, the design of the problem response reflects progressive

⁷⁹⁹ Bill Gillham. *Research Interview*. A&C Black, 2000. p.65-79; Rudolf R. Sinkovics, and Eva A. Alfoldi. "Progressive Focusing and Trustworthiness in Qualitative Research." *Management International Review*, vol. 52, no.6,2012, pp. 817-845.

⁸⁰⁰ Immy Holloway, and Les Todres. "The status of method: flexibility, consistency and coherence." *Qualitative research*, vol. 3, no. 3, 2003, pp. 345-357.

focusing emerging from Digital Music management.⁸⁰¹ In this case, progressive focusing leads to the research question, which is then sharpened by further focusing. This can also increase the credibility of the research and avoids preconceptions. More importantly, it is only through progressive focusing that researcher identified the value and significance of the research.⁸⁰²

Depending on the occupation of the interviewees, four core questions were asked. However, the rest of the interviews were flexible, which allowed the conversation to evolve naturally in the light of the interviewee's answers. The four questions asked were: How do you see the environmental impact of Digital Music Industry development in China; what kind of Digital Music business model do you think is suitable for Chinese consumers; what do you think of the development of Digital Music in China? What changes would you like to see?

Other questions were themed having a focus on the main aim of the research, which is "How far management and operational systems developed with a western context can be effectively applied to the Chinese context within the field of the Digital Music Industry?" Such changes were essential to ensure progressive focusing from the start of research to shape up a valuable question. The questions were shaped by important substantive or methodological concerns bridging up the gap between research theories and the practice.

⁸⁰¹ Annette Grindsted. "Interactive Resources Used in Semi-structured Research Interviewing." *Journal of Pragmatics*, vol. 37, no. 7, 2005, pp. 1015-1035.

⁸⁰² Eva A. Alfoldi. "Facilitating the Interaction Between Theory and Data in Qualitative Research Using." *Qualitative Organisational Research: Core Methods and Current Challenges*, vol. 1, 2012, pp. 104-119.

5.6 Data Analysis

This research has used qualitative data in order to analyse the functionality of a global cultural organisation in a Chinese context. Qualitative data can be defined as non-numeric data or data that have not been quantified and can be a product of all research strategies.⁸⁰³ Qualitative data analysis enabled the researcher to develop theories from the collected data, through qualitative analysis and prior to conversion of qualitative data into in-depth data. There are four guiding theories for data analysis based on the use of the inductive approach:⁸⁰⁴

- 1) The analysis and conclusion should be firmly rooted in the collected data.
- 2) Explanations should not be made without a careful examination of the data.
- 3) Avoiding bringing unwarranted preconceptions into data analysis.
- 4) An interactive analysis process is needed for developing a theory, based on the differences between China and the West, from the perspective of strategic management theory.

From this essential perspective, the researcher spent sufficient time on categorising and

⁸⁰³ Mark N K. Saunders. *Research Methods for Business Students*. Harlow, Essex: Pearson Education, 2009.

⁸⁰⁴ Geoffrey Lancaster. *Research Methods in Management: A Concise Introduction to Research in Management and Business Consultancy*. Amsterdam: Elsevier/Butterworth Heinemann, 2005.

reviewing the amount of data collected.

The primary research analysis begins with the historical development of Digital Music. It incorporates an introduction to the study of Digital Music history through an overview of two historical periods: before and after 2003. In order to facilitate subsequent research and help the reader to understand quickly, the research begins with a full interpretation of the definition of Digital Music.

Then, the research comprehensively demonstrates the significant evolution and progress of the development of Digital Music. More importantly, it evaluates the development of the Digital Music industries framework worldwide, for the sake of comparison to the tendencies and trends emerging in China in the later Chapter. This is a two-way study of China's consumption pattern and management pattern besides a study of the influence of the external environment on people. Human values and ideology in Chinese context are one of the foundations of research. The essence of values is people's subjective reflection of the value characteristics of things.⁸⁰⁵ Through the timeline approach, the research provided a straightforward way of understanding what the Digital Music Industry is and how it developed from the late 1990s to 2017.

⁸⁰⁵ It is mainly as a reference in two aspects; one is cultural cognition, the other is marketing significance. Chinese Culture Connection. "Chinese values and the search for culture-free dimensions of culture." *Journal of Cross-cultural Psychology*, vol. 18, no. 2, 1987, pp. 143-164; Oliver H M. Yau. "Chinese Cultural Values: Their Dimensions and Marketing Implications." *European Journal of Marketing*, vol. 22, no. 5, 1988, pp. 44-57; Randy K. Chiu, and Frederick A. Kosinski. "Is Chinese Conflict-handling Behavior Influenced by Chinese Values?." *Social Behavior and Personality: An International Journal*, vol. 22, no. 1, 1994, pp. 81-90; Guy Olivier Faure, and Tony Fang. "Changing Chinese Values: Keeping up with Paradoxes." *International Business Review*, vol. 17, no. 2, 2008, pp. 194-207.

The process was designed to understand changes in people's perceptions of Digital Music and their business value. Meanwhile, it also explores the change of people's consumption concept with the development of the Digital Music Industry. This research cannot be considered as an attempt to research the whole range of management theories applied in China as its only focus is on a specific field, management of Digital Music Industry in China. How the external environment impacts the management thinking and strategies in a Chinese context, is the starting point of this research. There are many pieces of research on Chinese ideology based on the legal and policy level.⁸⁰⁶ In addition, both offer a standard view; there are two ways for a society's values to win the public's broad recognition. The first process is the policy path, that is, to be good at converting these values into relevant public policy; secondly, it should try its best to ensure that these public policies produce practical effects; thirdly, it is necessary to guide the public to have satisfactory experience and realisation of the implementation effect of these policies. The second process is the system path, which is to be good at transforming values into a particular system form or a whole set of system spirit; secondly, the benign operation of the system leads to people's recognition and approval of the system; thirdly, based on system identification, people gradually cultivate and develop appropriate behaviour to ensure the benign operation of the system. The consumption pattern of Digital Music and the values of consumers

⁸⁰⁶ Xudong Zhang. "On Some Motifs in the Chinese" Cultural Fever" of the Late 1980s: Social Change, Ideology, and Theory." *Social text*, vol. 39, 1994, pp. 129-156; Hong Liu. "Profit or Ideology? The Chinese Press Between Party and Market." *Media, Culture & Society*, vol. 20, no. 1, 1998, pp. 31-41; Yuanzheng Cao, Yingyi Qian, and Barry R. Weingast. "From federalism, Chinese Style to Privatization, Chinese Style." *Economics of Transition*, vol. 7, no. 1, 1999, pp. 103-131; Jun Zhao, et al. "Downsizing, Ideology and Contracts: A Chinese Perspective." *Chinese Management Studies*, vol. 4, no. 2, 2010, pp. 119-140; Sujian Guo. *Chinese Politics and Government: Power, Ideology and Organisation*. Routledge, 2012; André Lieber. "The Chinese Ideology: Reconciling the Politics with the Economics of Contemporary Reform." *Journal of Chinese Political Science*, vol. 18, no. 4, 2013, pp. 335-353; Guobin Yang. "The Return of Ideology and the Future of Chinese Internet Policy." *Critical Studies in Media Communication*, vol. 31, no. 2, 2014, pp. 109-11; Elizabeth J. Perry. "Introduction: Chinese Political Culture Revisited." *Popular Protest and Political Culture in Modern China*. Routledge, 2018. pp. 1-14; Falin, Zhang. "The Chinese Developmental State: Standard Accounts and New Characteristics." *Journal of International Relations and Development*, vol. 21, no. 3, 2018, pp. 739-768.

in the Chinese market have always been the core research issues of China's Digital Music Industry. Therefore, based on these studies, it is the focus and rationale of this study to explore what kind of system or model is most suitable for the development and management of Chinese Digital Music.

5.7 Limitations and Challenges

Robson described that there are four elements which might harm research reliability, such as subject or participant error, subject or participant bias, observer error and observer bias.⁸⁰⁷ This research will avoid these negative impacts from all such aspects. For example, this research has many Chinese Official documents, which are directly related to strategic change. These were referenced and translated to English and the researcher enabled the production of these Official documents without any modification.

5.7.1 To Break Preconceptions

McKenney found that confirmation bias can affect the way of viewing statistics by the people. Research establishes that people tend to infer such information from statistics that support their existing beliefs, even when the data may support an opposing view.⁸⁰⁸ In order to build a pragmatic and neutral perspective on research, the researcher has undertaken a literature review of the historical development of Digital Music from 1988 to 2015. As pointed out by Yuval: "This is the best reason to learn history: not in order to predict the future, but to free yourself of

⁸⁰⁷ Colin Robson. *Real World Research: A Resource for Social Scientists and Practitioner-researchers*. Oxford, Oxfordshire: Blackwell, 2011.

⁸⁰⁸ James L. McKenney, and Peter GW Keen. "How Managers' Minds Work." *Harvard Business Review*, vol. 52, no. 3, 1974, pp. 79-90.

the past and imagine alternative destinies.”⁸⁰⁹

A historical development framework would be more appropriate to explore the differences in the development of the Chinese and Western Digital Music Industry and how different business models operate in different cultural contexts. Meanwhile, the researcher consistently obtained new data through interviews and kept verifying the reliability of data with the secondary research and the archives sources by corroborating each other.

Urge to get new data arose due to the suspicion that dependence on potentially unreliable information and it dictated to rethink about what might gather comprehensive, objective data for the research. Meanwhile, it also avoided the researcher from immersing overmuch in his personal beliefs based upon his personal experiences as a substitute for an interpretation of the subjects.

As Raymond A. Morrow and David D. Brown pointed out that because epistemic reflexivity insists that researchers must confront and question the taken-for-granted assumptions which traditionally inform their knowledge-claims and ultimately give meaning to people’s lives, then resistance to epistemic reflexivity should be expected.⁸¹⁰ As the reflexivity would see those, who focus purely upon methodological reflexivity as being fatally limited since they exclude their beliefs, free from the scrutiny of their taken-for-granted views. Accordingly, the researcher has strived to go beyond the knowledge he possesses and theoretical frameworks to maintain

⁸⁰⁹ Yuval Noah Harari. *Homo Deus: A Brief History of Tomorrow*. Random House, 2016.

⁸¹⁰ Raymond A. Morrow, and David D. Brown. *Critical Theory and Methodology*. Vol. 3. London: Sage, 1994.

reasonable doubts and have even challenged his own experiences.

Qualitative research requires researchers to stand in the structural environment and living conditions of the research objects to observe and understand rather than applying their own conceptual and value systems to the research objects.⁸¹¹ The researcher needs to respect the real-world experiences of the research object, which may be a blind spot for the researcher (because the research involves multiple fields), and try his best to construct and understand the meaning structure of the other party. It is necessary to perceive and put the researcher himself within the life context of the research object, but also to observe and refine the life or social process that he has not directly experienced. However, being aware with Digital Music Industry and being familiar with internal perspectives of the music industry, the researcher has the ability to understand the experiences and views of the people involved in the industry of Digital Music.

5.7.2 Amount of Evidence Obtained- a Limitation

There are certain limitations in the case study design. It is because of the reason that one or several cases, cannot truly represent a specific group of firms or the entire industry. In addition, QQ Music is still not a registered company and as such does not have an annual report before 2018, official management strategy or financial statements to the public and investors. Further, no detailed analysis of QQ Music has been carried out before, and the level of academic distinction of the company is non-existent. The main source of primary data has emerged from

⁸¹¹ Irving Seidman. *Interviewing as Qualitative Research: A Guide for Researchers in Education and the Social Sciences*. New York: Teachers College Press, 2006.

the interview conducted with the company's senior manager and its websites, which can be suggested of having lacking reliability.

Due to cultural differences, most Chinese companies (including QQ Music) rarely display any of their management approaches or strategies in any public forum. Accordingly, all the management approaches and strategies, discussed in Chapter 4 and 6, are inferred from the interviews, which were conducted in this regard, as well as from newspapers and other articles. By using a reverse inference induction importation acquisition methodology, to evaluate the development of QQ Music's strategy.

As the study of any company may create brand image issues, so researcher estimated that the interviewee might exaggerate their company's influence or actual profitability to some extent for the sake of promotion of the company. The researcher has verified most of the data, produced through official documents of QQ Company, with the help of archive materials, newspapers and through secondary verification with the help of further interviews. Although, it can be suggested that there exists a strong probability of verification of some data from one perspective only.

Consequently, the main limitation of this case study is the source of data collection. In order to ensure the validity of information, the researcher has attempted to avoid using unreliable websites, relying purely on the company's official website or representative websites. The case study may involve some unavoidable bias as selection and editing of information has been done

by the researcher himself. Secondly, the primary data might not have a perfect match with the underlying topic because it has not been designed to serve the purpose defined in this research specifically. Also, primary research may not be a perfect match as it was the domain of the researcher to choose any data to support particular arguments. The researcher has used Triangulation to avoid bias. The researcher used personal experience and perspective to locate experts in different industries, having an association with Digital Music to conduct interviews on the same issues. However, the theoretical framework provided by secondary research, and the expertise provided by the interviewers mitigated the bias and had made the information selection more reliable.

Apart from the case study, the interview method also has some limitations. Management theory has been employed to gain insights of the Chinese context in the Digital Music Industry. Concepts from western management proved alien to the interviewees and there was a perceived culture of secrecy in operation. When interviewed, Chinese managers tend to give clear answers, which were positive about the trends and prospects, and vague answers on specific business models and strategic applications especially for emerging industries like Digital Music.⁸¹²

In the interviews and while reviewing the archives, it was evident that most of the interviewees might be willing to share their opinions when talking about the business model in general terms.

⁸¹² Cheng Yuan. "Legal Protection of Trade Secrets in the People's Republic of China." *Pac. Rim L. & Pol'y*, vol. 5, 1995, pp. 255-261; Marisa Anne, Pagnattaro. "Protecting Trade Secrets in China: Update on Employee Disclosures and the Limitations of the Law." *Am. Bus. LJ*, vol. 45, 2008, pp. 387- 399; J Benjamin Bai, and Guoping Da. "Strategies for Trade Secrets Protection in China." *Nw. J. Tech. & Intell. Prop.* vol. 9, 2010, pp. 1-13; Marisa Anne, Pagnattaro. "Preventing Know-how From Walking Out the Door in China: Protection of Trade Secrets." *Business Horizons*, vol. 55, no. 4, 2012, pp. 329-337.

However, for the business model of the interviewees' company itself, the particular adjustments related to the strategic planning of the policy or environment might contain a vague description; such information being commercially sensitive. It can be attributed to a cultural difference within the company or a confidentiality measure that the company might require from its senior management level.

At first, the interviewee answered the questions based on his/her perception or opinion and as a result, it is probable that the interview results were subjective to some extent. Besides, the interviewee gave definite answers to the interview questions because he/she had to take other factors into account, for example, the brand image of their firm. In addition, some participants' career (lawyers, judges, and government staff) was not comprehensively associated with the Digital Music Industry which implied that respondents might not be well informed about relevant business models in the Digital Music sector such as the fan economy. Although the respondents were provided with a brief explanation of the essential features of this and other models, many respondents were indecisive about their intention to use this specific service in the future. Indeed, they might not be interested. However, as this business model is rather a new approach to distribute online music, there is a strong possibility that awareness and knowledge were not sufficient to distribute music online.

To deal with this problem, the researcher followed NU Ethics guideline, assuring the participants that their reply and the survey results would not be used for any other purpose without their permission. The researcher guaranteed the confidentiality of the survey to enable the

interviewees to provide their real thoughts.

5.7.3 Limitations- Some People May Refuse to be Interviewed.

Some high-ranking interviewees, working with a particular company, did not allow the researcher to record or take notes of interview and further informed the researcher that if they were quoted, they would deny of imparting any such knowledge to the researcher. Although, the participants agreed to use their information, but without quoting them, as such reliability and accuracy of the data has been reduced. More details about this will be discussed in later Chapters.

5.8 Validity/Reliability

External reliability is an indication to what extent research can be completed again with results comparable to the original research. It is difficult to reach a high level of external reliability owing to difficulty to ensure the maintenance of the scene and the setting of original research with the second one. The industry studied by the researcher is developing at a very rapid pace, and the external environment is also changing quickly. To increase the validity of the research, the researcher gave the interview transcript to the interviewees and asked for their approval to decrease the possibility of wrong interpretation of the data. As Patrick Dilley pointed out: “Knowledge in qualitative interviewing is situational and conditional.”⁸¹³

In China’s Digital Music Industry, it is expected that complexity and change will be present as

⁸¹³ Patrick Dilley. “Interviews and the Philosophy of Qualitative Research.” *The Journal of Higher Education*, vol. 75, no. 1, 2004, pp. 127-132.

pervasive and normal features. However, reliability in research is based on the assumptions that phenomena are regular and unchanging. To undertake the research, it has to be recognised that imagining is possible to strip the interview of “all of biasing factors”, so that emergence of “true” the “real” or “unbiased” responses would not be probable.⁸¹⁴ Therefore, in order to strengthen the reliability of data, the researcher cross-referenced the current affairs, news and other literature, and confirmed responses by multiple interviews. External validity can be regarded as a problem in qualitative research, indicating the extent to which findings can be applied to other social settings – qualitative researchers generally make use of small samples and case studies.⁸¹⁵

⁸¹⁴ Irving Seidman. *Interviewing as Qualitative Research: A Guide for Researchers in Education and the Social Sciences*. New York, NY: Teachers college Press, 2006. pp. 27-44.

⁸¹⁵ Catherine Welch. “Good Qualitative Research: Opening Up the Debate.” *Collaborative Research Design*. Springer Singapore, vol. 3, no. 5, 2018, pp. 401-412; Gillian Symon., Catherine Cassell, and Phil Johnson. “Evaluative Practices in Qualitative Management Research: A Critical Review.” *International Journal of Management Reviews*, vol. 20, no. 1, 2018, pp. 134-154.

Chapter 6 Case Study of QQ Music

This Chapter will present the results of interviews carried out between No.1-19 in order to develop a prototype of Digital Music management by understanding the current development of Chinese management in the Digital Music Industry. In order to demonstrate how the Digital Music Industry is managed, a single case study has been established using a particular Chinese Digital Music company, QQ Music, as a means to observe Chinese management methods in the Digital Music Industry. QQ Music was selected as the research target because he is the largest Digital Music platform in China and the only sizeable Digital Music platform announced to be in profitable operation. First, the history and development of QQ Music (Tencent Company) profiles are introduced besides discerning its strategic choices. Then, through the analysis of QQ Music's business and its direction in conjunction with the future development of countermeasures (as mentioned in Chapter 4), this will provide a framework for the development of a management theory or thinking which would be able to be related to China's Digital Music Industry, formulated in the next Chapter.

6.1 Background of QQ Music

As outlined in Chapter 4, QQ Music is an online music platform launched by Tencent, which offers a large range of adapted online services intending to target over 80% of China's internet users.⁸¹⁶ According to Tencent's official website, the company was founded in November 1998

⁸¹⁶ Wenbo Jiang, and Wenfu Zheng. "Dynamics of Internet Ecosystems: A Case Study of Tencent." *Contemporary Economics*, vol. 1, 2010, pp. 1-4.

in Shenzhen and used a penguin as its brand mascot.⁸¹⁷ As of October 2016, on account of 2628.76 billion dollars of market capitalisation, Tencent became the world's fourth-largest internet company, after Google, Amazon and eBay.⁸¹⁸ QQ Music belongs to Tencent's social networking business group and is a leading Chinese Internet legitimate Digital Music service platform, besides being a major player in the arena of social networking.⁸¹⁹ According to the official QQ Music website, since its founding in 2005, QQ Music has now reached 800 million Tencent users.⁸²⁰ With more than 15 million songs on its Digital Music platform, daily active users reached hundred million and the average annual number of multiple sharing of songs came to as many as 12 billion which is suggestive of a world-class performance on the global stage.

According to interviews 1-19 carried out in 2016, how QQ Music matched the performance of top-level music platforms is likely to be due to appropriate strategic and content management and will be analysed in detail at a later stage in this Chapter. QQ Music was China's first internet copyright-approved online music service provider ownership since 2005 and the earliest platform to strengthen legitimate inception of Digital Music having its own Digital Music production system and service mode. This, in itself, is significant and one of the many reasons for strategic gains of QQ Music. The development mode and management approach of QQ Music seems to be directly linked to its value proposition. Therefore, it is an essential procedure

⁸¹⁷ *Tencent*. "Company information." 2016. www.tencent.com/zh-cn/at/abouttencent.shtml Accessed 10 May 2018.

⁸¹⁸ *Network Observation Group*. "The World's Ten Biggest Internet Companies." 2016. k.sina.cn/article_5749141504_156acf000001002dj9.html?cre=aspect&mod=r&loc=6&r=9&doct=0&rfunc=0&vt=4_ Accessed 10 May 2018.

⁸¹⁹ Social networking business group is one of the Tencent's six major lines of business. According to the official website, it is department for value added services including club membership, avatar, personal spaces and communities, online music and dating services etc. Such services consequently enable Tencent to provide users with personalization services involving the purchase of virtual commodities.

⁸²⁰ *QQ Music*. "About QQ Music." 2016. y.qq.com/ Accessed 10 May 2018.

to extract QQ Music's strategy formulation and management philosophy by analysing its value proposition- "customers come first".

6.1.1 Value Proposition

According to the business brochure, put out by Tencent, "customers come first" has been deeply ingrained in the company's management philosophy.⁸²¹ These words show that Tencent has placed its emphasis on creating customer value, social value as well as a community value, so as to improve enterprise value. According to interview 14, more than 50 %, of the purpose of Tencent is to increase customer experience rather than building profitability.⁸²² It reflects the core goal of QQ Music's strategy formulation is to expand the user base. Consequently, customer value has seemingly been placed above commercial interests in its application to most of Tencent's products.

Due to the special market environment of China's Digital Music Industry in 2005, as discussed in Chapter 4, the profitability of the music platform, was relatively low at first. It might be considered that QQ Music developed its slogan- "customers come first" in order to please the consumers because it is very hard to make a profit without winning and establishing a large consumer base. On the other hand, QQ Music is positioned as a part of the product portfolio of the Tencent Company and declares its purpose to provide a full range of entertainment services for QQ users rather than earning money from music downloads as a principal objective.⁸²³

⁸²¹ *Tencent*. "Tencent's Company Culture." 2016. www.tencent.com/zh-cn/cc/culture.shtml_Accessed 10 May 2018.

⁸²² Anonymous. Interview No.14. 25 Aug. 2016

⁸²³ Anonymous. Interview No.14. 25 Aug. 2016

However, with increasing improvements in China's IP rights-related laws and regulations, the enhanced growth of the scale of Digital Music market enabled QQ Music to take advantage of its massive user base and to become China's first profitable Digital Music platform quickly. Meanwhile, during this transition, as long as the dedicated service from QQ Music were able to improve customer experience on behalf of Tencent continuously, the users of QQ Music naturally became interested in those paid-for products which, under the Tencent system, fell within its "Cyber Living" strategy.⁸²⁴ This strategy has been developed using the accounting system of QQ to offer privileged services, which unified perfectly with virtual products to promote a large number of online products. It is akin to a resource allocation management of Tencent's product systems. It involved a substantial investment into a variety of online services. It can be suggested as a forward-looking strategy to find profitable projects and to tap into the potential for future development.

Through these strategies, Tencent aims to build a comprehensive E-commerce ecosystem (akin to a business ecosystem) that satisfied the various needs of their online customers.⁸²⁵ The proposed E-commerce ecosystem is a new type of enterprise network, supported by a strong foundation of interacting organisations and individuals.⁸²⁶ On an important note, once this ecosystem is complete, it is to form a sustainable growth model which will gradually reduce the cost at each point of the business chain, with subsequent enhancement in the quality of products

⁸²⁴ Anonymous. Interview No.14. 25 Aug. 2016. See also from, Chengguang Wu. "A Powerful Platform with Cyber Living strategy- Tencent." *Beijing Business Today*, vol. 1, 2011, pp. 1-2.

⁸²⁵ The concept of business ecosystem starting in the early 1990s by James F. Moore who originated the strategic planning which now widely adopted in the high-tech community. James F. Moore. *The Death of Competition: Leadership and Strategy in the Age of Business Ecosystems*. Chichester, West Sussex: Wiley, 1996.

⁸²⁶ Anonymous. Interview No.12. 18 Aug. 2016.

and services. It could be seen as an approach to facilitate collaboration and responsiveness inside the enterprise through organisational management. The ecosystem also contributes to Tencent's management philosophy which is about paying attention to the customers with a simultaneous understanding of their needs by offering excellent products and services to meet with the expectations of the customers. It can be inferred by interview 13 that QQ Music can be anticipated to implement an improvement strategy using the Six Sigma approach based on its concrete goals.⁸²⁷ This approach can be seen as a secondary development of TQM discussed in Chapter 2. It has been confirmed in practice that when using standardised management tools, differences in the cultural background have little effect on the application of the theory. TQM able to considers Digital Music as part of the manufacturing process of virtual products that can use statistical approaches to improving business processes by reducing defects through Six Sigma. It is feasible to a certain extent because the TQM approach is effective in China's Digital Music. As observed in Chapters 2 and 4, TQM is aimed at product and service management to implement the brand strategy to a create long term competitive advantage considering that China's Digital Music market is customer-service oriented.

Huateng Ma, the CEO of Tencent, points out that Tencent may do only two things in the future; would act as a connector in the society and would develop the content industry (IP products).⁸²⁸ From the perspective of the music industry, the latter could provide the basis for the former. In accordance with China's online music market annual report, the number of Chinese Digital

⁸²⁷ Anonymous. Interview No.13. 21 Aug. 2016. See also, Subir Chowdhury. *The Power of Six Sigma: An Inspiring Tale of How Six Sigma Is Transforming the Way We Work*. Chicago, IL: Dearborn Trade, 2001; Brue Greg. *Six Sigma for Managers*. New York, NY: McGraw-Hill, 2002.

⁸²⁸ Huateng Ma. "Value proposition of Tencent." *SohuNews*, 2015. mt.sohu.com/20151228/n432737773.shtml Accessed 10 May 2018.

Music users reached 450 million in 2013.⁸²⁹ In such a scenario, if QQ Music wanted to achieve its value proposition, the first step, for it, was to control the music copyright. It encouraged QQ Music to continue to invest in copyright purchases to enhance user experience and to expand user groups. However, as most Chinese users were used to enjoy free Digital Music, as discussed in Chapter 4, the direct contribution of 450 million users was only 512 million yuan towards the revenues which equates 1 yuan per capita for a year and it was not certainly enough to support high royalties required in the music industry.⁸³⁰ Accordingly, QQ Music began to move towards new models for commercialisation of Digital Music and this observance reveals the strategy of QQ music to survive and expand its commercial base.

To act as a connector, is an undoubted manifestation of Tencent's ambitions, to work in all sorts of industries to further increase the company's influence in the content industry. Since the time of the interviews, subsequent development of QQ Music has fully complied with this objective and the company through ten years of efforts coupled with an advanced copyright development strategy is successful to launch a Digital Music Ecosystem, with the integration of a traditional record company with network music platform functions in 2015.

There is an improvement in acknowledgement of copyright issues with the development of China's Digital Music Industry. As mentioned in Chapter 4, with altering circumstances and evolving business models in the music industry, the expansion of the market and profit growth

⁸²⁹ *China's Ministry of Culture*. 2014. "China's Online Music Market Annual Report 2013." www.mcprc.gov.cn/whzx/bnsjdt/whscs/201404/t20140411_432148.html Accessed 10 May 2018.

⁸³⁰ *China's Ministry of Culture*. "China's Online Music Market Annual Report 2013." 2014. www.mcprc.gov.cn/whzx/bnsjdt/whscs/201404/t20140411_432148.html Accessed 10 May 2018.

made companies to increase their investment in Digital Music, and it can be suggested as a driving force for the development of management of the industry. QQ Music was able to build a resourceful and legal music library, starting from copyright procurement and delegation, besides its cooperation with high-class copyright parties which enabled QQ Music to dominate the legal Digital Music market.⁸³¹ Subsequently, QQ Music started to collaborate with all the parties in the music industry and built its own Digital Music Ecosystem to become a holding of major music copyrights.

QQ Music aims to produce music services that match customers' preferences at the lowest possible cost of production to maximise the use of its resources.⁸³² As mentioned in Chapter 2, Management by objectives is a modern management method that is goal-oriented, people-centred, and results-oriented to enable organizations and individuals to achieve the best performance. Its strategic management outcome also set up, gradually, copyright barriers for other competitors since QQ Music held over 55% of the market share of Digital Music in 2015. Therefore, it made fewer options for music-related practitioners which created a competition amongst them, thus reducing the cost of QQ Music. Further to this, QQ Music began to explore and develop its business model, appropriate for China's market environment. With the rise of the "excessive entertainment" (encompassing all commercial spin-offs for a product) concept, the fan economy has brought a new source of revenue in digital work and QQ Music has increasingly

⁸³¹ See from Interviews 14 and 17 in Appendices.

⁸³² Anonymous. Interview No.12. 18 Aug. 2016.

dominated the music market by exploiting the value of musicians' IP, beginning in 2016.⁸³³

However, excessive entertainment to utilise comprehensive resources to commercialise content products, it is beneficial to extend the market with an increase in profits from the content business.

However, as a managed sales strategy, excessive entertainment damages the enthusiasm for new content creation by shifting the musicians' attention to business operations.⁸³⁴ Meanwhile, QQ

Music strived for further development of the musicians' IP and broadened the range of music derivatives, such as personal items from musicians or celebrity endorsements, by building an open platform and adding incubation mechanisms for new singers.

In general, according to interview 13, QQ Music can be considered as the extension service of Tencent's original membership model which made it take advantage of QQ's user base and developing rapidly.⁸³⁵

QQ Music, through the membership system, sought to consolidate its user base at an early stage, rapidly expanding its market and building its own Digital Music Ecosystem in the medium term, concentrating on developing business models and satisfying the needs of customers, aiming to drive the development of China's Digital Music Industry from 2013.⁸³⁶ QQ Music's value proposition can be suggested as analogous to a strategy of staying at the forefront of the market

⁸³³ In this case, excessive entertainment is a concept in Chinese. The concept of it proposed by Wu Cheng who is the Vice President of Tencent Company in 2011. *BaiduBaikē*. 2011. baike.baidu.com/link?url=IepxZjDwCe_KTYhLBWrpIS9m1BjGGBj6IxaESr88huG3YGRtxL_g3gD9C4lsJbpm783q2U0grLM2l8dwsgMfiA9dw4cFzDQrwNRiLm83gooxq_d_UlbQ9JiTndUnYaVN Accessed 10 May 2018.

⁸³⁴ Anonymous. Interview No.12. 18 Aug. 2016.

⁸³⁵ Anonymous. Interview No.3. 16 Aug. 2016.

⁸³⁶ Anonymous. Interview No.18. 29 Oct. 2016

by continually focusing on the way to enhance overall user experience.

On the basis of the official website of QQ Music, it makes a great virtue of being always at the forefront of developing trends in music and of providing customers at large with accessible online and offline music services (because of owning up to 60% of song copyright ownership in the Chinese market).⁸³⁷ According to interview 13: “We pay a lot of attention to product innovation and QQ Music software has been updated five times per year at least”.⁸³⁸

QQ Music has made more than sixty version updates and improvements during the last ten years. This has given it a competitive advantage which also benefits from how QQ Music was absorbed in developing customer experience.⁸³⁹ According to interview 14, “before 2012, most of the music on the market was pirated”. In 2012, the Chinese government imposed stricter regulations on China’s Digital Music Industry. The primary market shares of music copyright expanded the influence of QQ Music in the Digital Music Industry and brought a great deal of online traffic which thus greatly improved the advertising revenue of QQ Music in 2012.⁸⁴⁰ QQ Music has benefited from government policy. Since then, QQ Music has the potential for consideration as a mini-industry besides being a standard-bearer for China’s Digital Music Industry.

According to QQ Music’s official website, customised design, outstanding experience, major

⁸³⁷ QQ Music has been in continuous improvement and evaluation of the overall it really is the top on of China at this point.

QQ. 2016. y.qq.com/ Accessed 10 May 2018.

⁸³⁸ Anonymous. Interview No.13. 21 Aug. 2016

⁸³⁹ Anonymous. Interview No.13. 21 Aug. 2016

⁸⁴⁰ Anonymous. Interview No.14. 25 Aug. 2016.

music albums, the latest popular music, professional classification, rich background music, music sharing, and other community services have made it the primary choice in Chinese netizens' online music experience.⁸⁴¹ As a matter of fact, QQ Music is dedicated to providing customers with the best quality online listening and community services for those interested in all kinds of music. Meanwhile, based on the *China Digital Music Market Annual Report 2013*, QQ Music deems fit for prospering of its Digital Music business as long as China's music market environment is improving with simultaneous betterment in laws, regulations and consumption habits.⁸⁴² Thus, QQ Music proposes itself as a major force in promoting the development of China's Digital Music Industry. However, this whole scenario also carries some negative aspects as QQ Music became over-extended in 2013 with the development of an over-complex and heavy product line which proved costly for running of the company.⁸⁴³

6.2 Analysis of QQ Music's Strategic Management: Three Key Elements

QQ Music's management concept and method are of similar character as of most internet companies in China. Accordingly, the integration of music with Social Networking is the strategic aim of QQ Music.⁸⁴⁴ Meanwhile, the development of QQ Music has been subject to influence of restrictions of its parent company on its strategic planning. This section aims to analyse the strategic management of QQ Music with a focus on three key elements including: business portfolio, resource allocation and competitive advantage.

⁸⁴¹ QQ Music. "About QQ Music." 2016. www.tencent.com/en-us/ps/internetservice.shtml Accessed 10 May 2018.

⁸⁴² Ministry of Culture of the People's Republic of China. "*China Digital Music Market Annual Report 2013*." 2014.

⁸⁴³ Anonymous. Interview No.12. 18 Aug. 2016.

⁸⁴⁴ Anonymous. Interview No.18. 29 Oct. 2016.

6.2.1 Business Portfolio

Business portfolio management is a process that enables an organisation to manage multiple projects or individual projects for optimal results. All products, under the banner of Tencent, are linked together through the core product - QQ (an internet instant messaging platform) and it is the typical optimal business portfolio which is helping QQ Music to evaluate and balance conflicting demands of different project resources, from online sales to offline promotion. This is the advantage of the products system of Tencent that allow QQ Music to integrate different elements into its core business (which includes value-added Internet services, Telecom value-added services, internet advertising, brand licensing) leading to the development of four business models of Digital Music.⁸⁴⁵ Having aligned with organisational strategies and prioritisation of the work has helped QQ Music to manage risks and to provide a cost-effective allocation of resources to the projects. It can be inferred that QQ Music, through efficient business portfolio management, has developed the ability to identify and prioritise the areas of investment, expenditure curtailment, reorganisation and repositioning of resources to improve its overall business for the sake of betterment in its profitability.⁸⁴⁶

6.2.1.1 Business to Business (B2B) Advertising Model

B2B is an e-business model which encompass selling of products, provision of services and exchange of information between the companies through the medium of internet. As mentioned

⁸⁴⁵ Four models are extract from the interview 12, 13, 14,16,18,19 and archive resources.

⁸⁴⁶ As mentioned in Chapter 2, if strategic-decision-makers believe that the company's disadvantage lies in low profitability, then its strategic focus should be to strengthen the internal resources and capabilities; If the disadvantage of an enterprise lies in its weak financing ability or having a hard time entering specific industries, then the strategic focus needs to be shifted to strengthening the construction and accumulation of social capital and political connections.

in Chapter 4, a music platform uses advertising revenue to pay royalties and licensing fees to record companies or copyright owners. Users enjoy the right to access a certain proportion of free music and the payment from advertisers, who use such online music websites for the promotion of their products, assists in maintaining a profit balance.

Due to historical copyright issues in China, this kind of B2B advertising model is being actively explored by the majority of Digital Music companies in China at present, and QQ Music can be seen as one of the major promoters of this model. However, Zhenyu Xie, the CEO of KuGoo Music, has quoted data from KuGoo Music to disclose the correlation factors structuring this model; music listening from KuGoo Music involves payment of royalty to the copyright holder; 0.25 yuan for a single listening access and 2.5 yuan per thousand listeners besides cost per mile which is 1.6 yuan for each listening and the cost of bandwidth which suggests that, per thousand music plays, it demands more than four yuan of the cost from the music platform. On the other hand, advertising from music play per thousand listeners only yields about 1 yuan of revenue to a music platform in the Chinese market.⁸⁴⁷ Consequently, advertising revenues only compensates for a certain extent of overall spending and as such profitability, in this scenario, is extremely limited. However, as more than 80% of music platforms had been in the practice of music piracy from 2005 to 2012 as such no copyright expenditure made the advertising revenues quite considerable for the Digital Music business in China.⁸⁴⁸ In view of this phenomenon, the management of China's Digital Music Industry started very late and although it is developing

⁸⁴⁷ Anonymous. Interview No.14. 25 Aug. 2016.

⁸⁴⁸ Anonymous. Interview No.14. 25 Aug. 2016.

slowly with having value addition.

In contrast with western theories, the Chinese-style strategic management approach has taken more account of Chinese consumption habits and values. However, it began to change back in 2013 when the Chinese authorities started to resolve IP issues and it became difficult to maintain profitability through revenues by using a simple advertising model.⁸⁴⁹ Meanwhile, before stipulation of laws in China with elaboration that access to music is subject to payment in a more explicit way in July 2015, charging users for music downloads could not be a strategy to be employed by the company.⁸⁵⁰ Accordingly, as a long-term strategy to generate income, the advertising model is the mainstay for the Chinese Digital Music platforms to stay in operational mode in general.

On the other hand, as mentioned previously, QQ Music took over more than 50% share of Chinese digital market and it has made it worthwhile, from a commercial point of view, to advertise on the QQ Music platform. From a management perspective, it can be suggested as a brand promotion and marketing strategy, to take advantage of the positioning of QQ Music in the market, to create a desirable image of any product and company in the minds of customers of QQ Music.⁸⁵¹ Therefore, QQ Music provided a tangible clue to allow other businesses to

⁸⁴⁹ A simplex advertising model is relying on simple net traffic and ad revenue for profit. As discussed in Chapter 3 and 4, customer service is the key to the Chinese music market which made required range of music products and services offered is expanding.

⁸⁵⁰ Anonymous. Interview No.17. 28 Oct. 2016

⁸⁵¹ Anonymous. Interview No.18. 29 Oct. 2016. See also, Jean-Marc Lehu. *Branded Entertainment: Product Placement & Brand Strategy in the Entertainment Business*. London, England: Kogan Page, 2007; Arve P. Overland. *Always on: Digital Brand Strategy in a Big Data World*. London, England: Taylor & Francis, 2014; Antony Young. *Brand Media Strategy: Integrated Communications Planning in the Digital Era*. New York, NY: Palgrave Macmillan, 2014.

visualise as to why QQ's Music service is superior and advertising on QQ Music is, therefore, has a value for money. According to the iResearch survey, conducted in 2016, 85% of QQ Music users belonged to the age group of 15 to 39. This is the age bracket which has the most consumption capacity in the Chinese market.⁸⁵² In another word, QQ Music has high-class net traffic resources and is able to offer opportunities for marketing as its user base belong to such demographic group having highest consumption capacity and it is suggestive of high commercial value of advertising on QQ Music's platform.

Meanwhile, in this advertising model, developed as a planned strategy by QQ Music, a rich source of legal music was offered by the record labels. Royalty fees can enhance the musicians' motivation to create the original music and are instrumental in promoting the development of China's Digital Music Industry.⁸⁵³ Further to this, QQ Music is attempting to maintain a long-term plan to build a large-scale online music community platform for social networking in order to win user loyalty and to improve the user experience since 2012.

Meanwhile, QQ Music is also able to collect customers' purchase history for the purpose of employment of big data analytics.⁸⁵⁴ Over time, it would be able to predict its users' behaviour and even would develop the ability to anticipate things like expected random shopping trips to be undertaken by its customers. Thus, it would be in a position to attract even more business

⁸⁵² *iResearch*. "A Research of China's Digital Music Industry 2016." 2016. www.iresearch.com.cn/report/2617.html Accessed 10 May 2018.

⁸⁵³ See from Interviews 1, 2, 5, 11.

⁸⁵⁴ Anonymous. Interview No.13. 21 Aug. 2016.

offerings, its customers being advantaged with targeted advertising opportunities.⁸⁵⁵ A large number of customers constantly creates demand for a better product experience and function updating. In this process, QQ Music has developed rapidly and had a successful collaboration with advertising partners like many world-class companies such as Dell, Coca-Cola Company, Chanel and many luxury brands.⁸⁵⁶ Such partnerships have brought a steady source of income for QQ Music and some will be invested in further research and development of its products. This model builds up and demonstrates a pattern of being a sustainable one within the business environment through the benefits of advertising. There are not many differences between QQ Music's B2B advertising model and online advertising business, but QQ Music has created much more value because of its position in the market, support from parent company (Tencent), good consumer behaviour, being synergetic with well-developed marketing strategies and being able to extract benefits from a carefully created brand strategy.

6.2.1.2 Business to Customer (B2C) Green Diamond Model

Currently, QQ Music mainly aims to provide users with both free and paid music services. Free users can freely download and listen to a great amount of standard quality music, however, if the customer takes the step of becoming a Green Diamond monthly paid user, he or she could enjoy an unlimited high-quality music download service for only 10 yuan per month. Perhaps this price, in comparison with the Western Digital Music market, is extremely low, but as mentioned in

⁸⁵⁵ Michael R. Solomon. *Consumer Behavior: Buying, Having, and Being*. Upper Saddle River, NJ: Pearson/Prentice Hall, 2004; Sharon Ng, and Angela Y. Lee. *Handbook of Culture and Consumer Behavior*. Oxford, Oxfordshire: Oxford University Press, 2015; Allan J. Kimmel. *People and Products: Consumer Behavior and Product Design*. New York, NY: Routledge, 2015; W D. Evans. *Social Marketing: Global Perspectives, Strategies and Effects on Consumer Behavior*. New York, NY: Nova Science Publishers, 2015.

⁸⁵⁶ Tencent. "Tencent Music Prospectus." 2018. Internal Tencent report. Unpublished.

Chapter 4, because piracy has been rampant in the Chinese music market and consumption habits have adapted to downloading music without paying, the foundation of the Green Diamond model and its successful operation has had a major significance in China's Digital Music Industry. It demonstrates that charging for Digital Music can be implemented and it has greatly promoted the process of legalising of Digital Music in China. More importantly, Green Diamond model is mutually beneficial to both copyright holders and the promotion company.⁸⁵⁷ From a global point of view, promoting a paid model to attract more users to become paying customers, is the goal of all participants involved in the music industry and especially for the Chinese market.⁸⁵⁸ Despite the rise of streaming media which is also becoming mainstream, paying to download music is still one of the main sources of revenue for the Digital Music Industry.

⁸⁵⁷ *Tencent*, "Tencent Music Prospectus." 2018. Internal Tencent report. Unpublished.

⁸⁵⁸ Anonymous. Interview No.16. 24 Oct. 2016.

Global recorded music revenue by source (US\$bn), 2014–2019

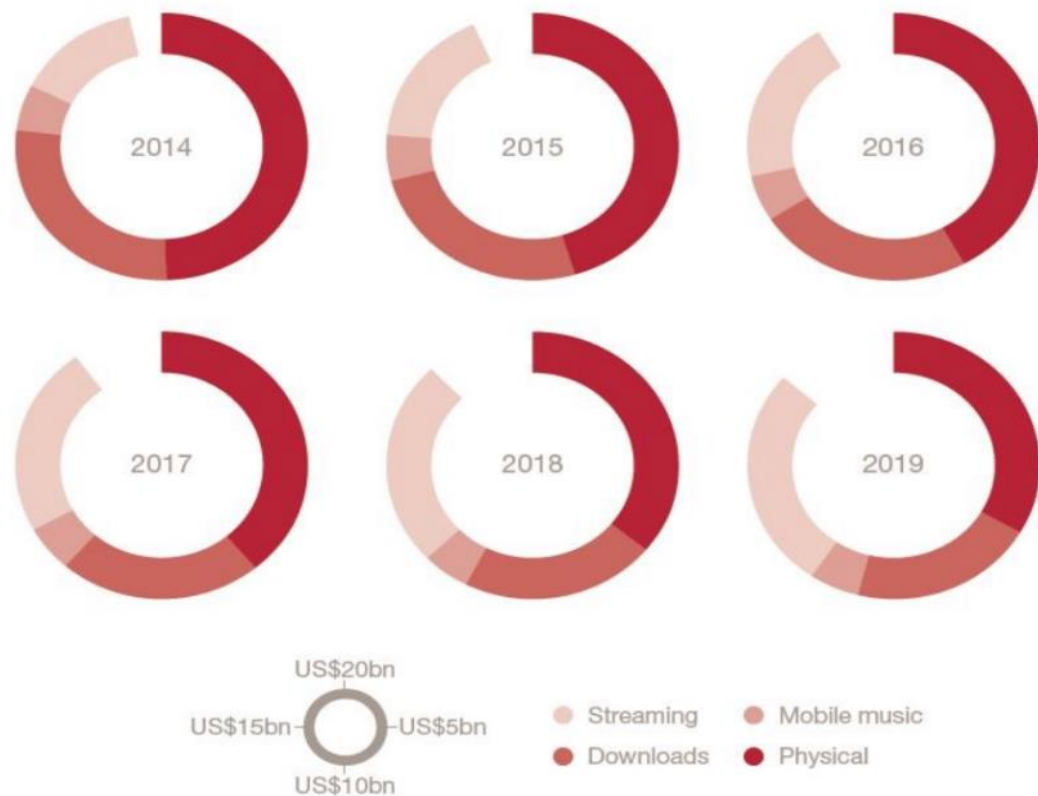


Figure 12. Global recorded music revenue 2014-2019⁸⁵⁹

As shown by PricewaterhouseCooper (PwC) in the above figure, the prediction of revenues from recorded music from 2014-2019, at a global level, the industry of streaming media is leading the competition.⁸⁶⁰ Physical sales are dwindling, and paid download revenue is relatively stable. It shows that how successfully operating the Green Diamond model may be representing huge

⁸⁵⁹ PWC. 2015. "Outlook Insights: An Analysis of the Global Entertainment and Media Outlook 2015–2019" www.pwc.com/gx/en/global-entertainment-media-outlook/assets/2015/music-key-insights-2-digital-recorded-music-revenue.pdf Accessed 10 May 2018.

⁸⁶⁰ Loren Weisman, and Carol Kerr. *Customer Relationship Management*. New York, NY: McGraw-Hill, 2002; Bernd Schmitt. *Customer Experience Management: A Revolutionary Approach to Connecting with Your Customers*. New York, NY: Wiley, 2003; Tabetha Head. *Customer Experience Management*. New Delhi: World Technologies, 2012; Philipp Klaus. *Measuring Customer Experience: How to Develop and Execute the Most Profitable Customer Experience Strategies*. Hampshire, England: Palgrave Macmillan, 2014.

benefits to QQ Music in the future.

Green Diamond membership also provides a broader range of service packages, such as free background music for Qzone and a variety of external services allied to the theme tune. It gives preferential purchase of songs and qualification for a free ticket to a first concert. This unique subscription model meets the user's music needs on a personal level, providing both experience and also transforming the Green Diamond users' privileges by offering a perceived high-quality music experience. It is pointed out that Green Diamond monthly subscription paid to QQ music is not just a payment for Digital Music products or services but also is a payment for added benefits, including services integrated into daily life. This refers to typical customer relationship management (CRM) so that through personalised service identification, service may be targeted at the most valuable customer, using a more targeted direct marketing strategy.⁸⁶¹

Meanwhile, according to interview 16: "QQ Music got really powerful customer feedback collection system from Tencent and benefited from its differentiation strategy."⁸⁶² QQ Music periodically gives incentives to solicit advice through e-mail, application and web forums.⁸⁶³ The feedback, thus obtained through earlier mentioned arrangements, is used for building, maintaining, and enhancing interactions to develop a long-term customer satisfaction as well as to reduce the marketing costs and to lower the cost of providing the customer service.⁸⁶⁴ It is

⁸⁶¹ Zeynab Soltani, and Nima Jafari Navimipour. "Customer Relationship Management Mechanisms: A Systematic Review of the State of the Art Literature and Recommendations for Future research." *Computers in Human Behavior*, vol. 61, 2016, pp. 667-688.

⁸⁶² Anonymous. Interview No.16. 24 Oct. 2016.

⁸⁶³ Anonymous. Interview No.16. 24 Oct. 2016.

⁸⁶⁴ Xiuzi Wu, and Shiming Pi. *Xian Shang Yin Yue Fu Wu Zhi Gu Ke Guan Xi Guan Li Yan Jiu* =: *A Study on the Customer Relationship Management of Online Music Services*. Zhong li shi: Wu Xiu Zi, 2009.

also a way of setting QQ Music and its products or services apart from the competition, and this can be accomplished through CRM by targeting customers who appear to be most interested. With their membership of Green Diamond, customers might enjoy an exclusive discount on offline activities and some privileges, based on QQ Music's development strategy, and these will be explained in detail in the following sections. QQ Music through social networking tools such as QQ platform and WeChat (instant messaging app) has established a powerful user relationship to structure its particular business model—the Digital Music Ecosystem which will be discussed in detail in a later section.⁸⁶⁵ It is also one of the most important founding propose of QQ Music's differentiation strategy.

6.2.1.3 Digital Albums

The concept of the digital album is not new. It consists of pre-paid music downloads and iTunes in one of its most typical representative forms. Although iTunes was gradually supplemented by streaming paid services, offered by Spotify and Pandora, it can be judged from the trend of recent years that iTunes model continued to be the mainstream profit model for the Digital Music Industry.⁸⁶⁶ Meanwhile, as mentioned in Chapter 4, the progress and development of China's Digital Music Industry do not demonstrate the kind of business turnover iteratively as might have been shown by the European or US Digital Music Industry. The music services are provided under the Chinese business model, are more complicated and comprehensive in contrast with other countries by the impact of piracy. At this point, QQ Music's Digital Album is a particular

⁸⁶⁵ Anonymous. Interview No.1. 15 Feb. 2016.

⁸⁶⁶ Jude Umeh. "*The World Beyond Digital Rights Management*." Swindon: British Informatics Society, vol. 1, 2007, pp. 1-43; Loren Weisman. *Music Business for Dummies*. New Jersey: John Wiley & Sons, 2015; *IFPI*. 2014. "Digital Music Report 2014." www.ifpi.org/downloads/Digital-Music-Report-2014.pdf Accessed 10 May 2018.

model of marketing music with an array of merchandise based on the demands of China's Digital Music market in 2014.

Accordingly, the Digital Album model of QQ Music depends on a re-innovation of a sales model which has been gleaned from the iTunes model but with the addition of Chinese characteristics. It is an advanced program for Digital Music distribution and is mainly targeted to musicians who already have a huge fan base in China. As mentioned in Chapter 4, the majority of Chinese users have historically developed an intention of not paying for music due to the Chinese market environment. Thus, building a fan economy is the main profit basis for sales of QQ Digital Albums. The first-day sales of Big Bang's Mini albums can be taken as an example.⁸⁶⁷ The first album sales reached one hundred thousand, and the second and third album reached two hundred thousand and five hundred thousand respectively. Such sales growth is largely dependent on information sharing between music fans by using QQ Music and QQ. Moreover, as of March 2016, QQ Music has launched a flurry of Digital Albums of stars like Jay Chou, Zhou Bichang, BigBang and many other top Asian singers, and its total sales were up to nine million yuan and revenue, thus generated, was more than 40 million yuan.⁸⁶⁸ It can be suggested to have resulted due to the effect of celebrity on the fan economy.

⁸⁶⁷ Big Bang—including members'solo releases—has sold over 92 million records, and with the previous releases including the sales from Music Industry Association of Korea (MIAK) and The Korea Music Content Industry Association (KMCA) they have sold over 115 million records, with over 108 million digital singles, selling an average of 4.3 million downloads per title track and 1.5 million downloads per non-title track, and over 6.7 million albums in Korea, Japan, and the rest of Asian continent, making them the best-selling digital group of all-time in Asia. At this point, the cooperation between QQ Music and BigBang itself is an achievement.

⁸⁶⁸ *Analysis International*. "China's Digital Music Market Report 2016." 2016. www.analysis.cn/view/report/detail.html?columnId=8&articleId=18677. Accessed 10 May 2018.

To increase Digital Album sales, QQ Music has made many attempts to develop the model of the original Digital Album (pure music content sales model), which included exclusive listening rights, nameplate identifying reward (a specific combination of letters which can be chosen by the customer), exclusive gift package, lottery and an interactive game.⁸⁶⁹ According to interview 16: “The sales strategies of QQ Digital Albums were closely linked to the emotional design and to fulfil a further need beyond the functional level.”⁸⁷⁰ This is actually a strategy for QQ Music to use the advantage of the fan economy to packaging music content before selling it.

To correspond to the fulfilment of needs, the interviewee identified that the design of products could be divided into four levels from low to high (functionality, dependability, and availability, pleasurable) to meet with the physiological sense, sense of safety, sense of belonging and love, esteem and self-actualisation.⁸⁷¹ A specific emotional design of QQ Music as follows:

At first, the exclusive listening rights have provided specific songs which are different from those available on regular sales channels. This is the first and most crucial step to persuade Chinese customers to purchase Digital Music. Secondly, QQ Music added commentary tracks, behind-the-scenes footage and some other exclusive portrait photos in a gift package with music. These things may be searched from internet sources when the Digital Album was released but having the opportunity to access these at first hand, still proves attractive to fans. Thirdly, each

⁸⁶⁹ See from Interviews 11 and 13 in Appendices.

⁸⁷⁰ Anonymous. Interview No.16. 24 Oct. 2016.

⁸⁷¹ Abraham H. Maslow, and Edward Hoffman. *Future Visions: The Unpublished Papers of Abraham Maslow*. Thousand Oaks, CA: Sage Publications, 1996; Marieke K. Mooij. *Consumer Behavior and Culture: Consequences for Global Marketing and Advertising*. Thousand Oaks, CA: Sage Publications, 2004; Mary C. Rohl, and Julie Peterson. *The Heart and Design Project: Meaningful Work in the Contemporary Design Practice*. Menomonie, WI: University of Wisconsin, 2016.

Digital Album in QQ Music has a unique nameplate which can be chosen to link customers' name, date of birth or specific letter combinations which made customers feel psychological attachment that this album has been custom-made for them. Offering an emotion-selling proposition is an important strategy for QQ Music. Finally, lottery and interactive games increased the opportunity of interacting with the singer making the Digital Album more entertaining and thrilling and turning it into a more attractive purchase. Meanwhile, it is worth noting that QQ Music adopted a differentiation strategy for Digital Albums sales which was designed to touch emotions and was human-oriented. From the cover, on the purchase page of the Digital Album, it put "supported" rather than "purchasing" option.⁸⁷² In fact, it inspired customers by resonating with them and by increasing their interest in buying. Moreover, QQ Music provided not just Digital Albums, but also a service which increased the fans' desire to support a good cause by integrating these services. Consequently, a good emotional design can greatly increase sales of Digital Music and that is what QQ Music has sought to do.

In addition, QQ Music used its Digital Album to help western singers gain access and acclimatise themselves to China's Digital Music market. The album "25", released by Adele, went double platinum (about fifty thousand copies sold) and the song "Anti", released by Rihanna, touched a sale of 1.7 million volumes.⁸⁷³ These are results which could never have been achieved in the past because of the distinctive Chinese environment. According to interview 3, 13, and 19: Traditional Digital Albums can bring some benefits but also had certain limitations,

⁸⁷² According to the Interview No.3. 17 Feb. 2016, and internal research of QQ Music shows that the most important factor to actuated customer purchasing music is to support idol.

⁸⁷³ *Guangming Online*. "The Bestsellers of QQ Music." 2016. e.gmw.cn/2016-05/23/content_20224261.htm Accessed 10 May 2018.

especially in altered shape to meet changing business needs from Chinese fans.⁸⁷⁴ It used the fan economy to increase the sales of music content but did not increase the value of music in consumer perception.

The Digital Album improved by QQ Music with accessories which included extended services on demands of the fans, became a purchasing trend of music. In the long term, this model provided a direct way for promotion of the musicians who by virtue of this model became capable of realising the value of their music in China and of gradually achieving a better production system for the promotion of their music. More importantly, this strategy employed may cultivation of the Chinese habit of consuming Digital Music in a step-by-step manner in contrast with the social practice of using pirated music.

6.2.1.4 Internal Cooperation Mode

QQ Music is one of Tencent's products and its development, from the start, relied heavily on other businesses of Tencent. A substantial percentage (over 70%) of the first batch of QQ Music customers were QQ users, while QQ Music offered Digital Music resources to other businesses which were also part of Tencent.⁸⁷⁵ As mentioned in the previous section, "customers first" was Tencent's management philosophy and working as a connector in society was its core target which suggested as the thought behind its strategic management. Therefore, QQ Music

⁸⁷⁴ See from Interviews 3, 13, 19 in Appendices.

⁸⁷⁵ Anonymous. Interview No.13. 21 Aug. 2016.

has developed two exclusive functions through cooperation with Tencent businesses, in a wide range of industries: e-business, online media and Internet value-added service. More importantly, through this internal cooperation, QQ Music is set to enhance the loyalty of users of Tencent company's products and services.

6.2.1.5 “The QQ Debut Concert”

The “Debut concert” is an elaborated design event and is meant for brand promotion of QQ Music. It was launched in December 2008 and is a music promotion event exclusively designed for mainland China.⁸⁷⁶ Using its online music platforms, QQ Music launched concerts with powerful resource support from Tencent. This design is meant to fulfil two objectives. The first is to manage and promote new releases. At the concert, fans are subjected to such an environment which not only provides them with the opportunity to enjoy the prime-time music but also allow possessing the latest music albums having signatures of the singers. The second objective is to strengthen and further development of relationships with fans.

By participating in interactive sessions, which are a part of the concert, fans have the chance to engage in intimate contact with their favourite stars. The concerts are anticipated to draw the attention of music lovers to QQ Music which in turn enhances the probability of influencing them to be QQ Music customers. These shows are scheduled to hold once or twice a month, in a different city and tickets are sold using an online model with a focus on fast sale (snapping up). It is important to note that the members of Green Diamond enjoy the opportunity of multiple

⁸⁷⁶ *Tencent*. “Tencent Music Prospectus.” 2018. Internal Tencent report. Unpublished.

chances to access tickets in the competition. According to interview 19, “it also provides music streaming equipped with other types of rich content, including cover versions, songwriting, audiobooks, radio dramas, DJs, and stand-up comedy, etc., as a supplement to music content”.⁸⁷⁷ Online music performance format brought in impressive profits. Moreover, it is possible to watch live broadcasts online by booking an alert from the QQ Music website for such fans who are not able to attend the concert in person.⁸⁷⁸ It is a deliberate way of targeting music lovers to make them fans of QQ Music and to build interest in any of new releases.

6.2.1.6 QQ Music Prime Music Concert

This performance project was launched by QQ Music in 2012 and, by relying on this project, QQ Music started building its own online sales channels to support ticketing and souvenirs at that time.⁸⁷⁹ It marked the beginning of official cooperation of QQ Music with “QQ online shopping” and the live show ticket platform.⁸⁸⁰ It is a combination of the B2C model, and it expanded the business architecture of QQ Music. Alternative music contents draw broad attention. China’s Digital Music users’ consuming behaviours have been influenced greatly by the popularity and success of such single television shows as “The Voice of China”.⁸⁸¹ The purpose of this project was to strengthen the links between all parties in QQ Digital Music Ecosystem by offering a one-stop service to both customers and singers. “QQ Music Prime Music Concert” is intended as a mini concert striving to meet the needs of fans who want to

⁸⁷⁷ Anonymous. Interview No.19. 30 Oct. 2016

⁸⁷⁸ Anonymous. Interview No.19. 30 Oct. 2016

⁸⁷⁹ *Tencent*. “Tencent Music Prospectus.” 2018. Internal Tencent Report. Unpublished

⁸⁸⁰ Li, Sainan, and Fangfang Guo. “The Development Road of a Successful Brand: A Case Study of Tencent QQ.” *DigitalNews*, vol. 1, no. 1, 2012, pp. 17-54.

⁸⁸¹ Anonymous. Interview No.16. 24 Oct. 2016.

experience high-quality live music from a close range. It is worth mentioning here that Green Diamond members have the privilege of being eligible for first right of purchasing tickets and to avail discounted prices. In this way, QQ Music has devised a unique way to promote music while relying on the superiority of its own media platform in China.

6.2.1.7 QPlay Project-Manufacturing Partnership with Audio Company

“QPlay” is a comprehensive solution from QQ Music, launched in December 2012, and it works for music content, terminal products promotion, marketing and sales. According to interview 3:

“QPlay is similar to a multi-level sales strategy from Amazon, they both aim to facilitate customer to customer with the provision of its marketplace which acts as an intermediary to facilitate consumer to consumer transactions”.⁸⁸²

This strategy may have some features, similar to, Amazon’s multi-level sales strategy, but QQ Music is also focusing on B2C relationships between the company and its customers, and B2B relationships between the company and its suppliers. However, a significant difference, in contrast with Amazon’s multi-level sales strategy, is that there is no involvement of QQ music in any hardware production and rather QQ Music relies on the partnerships with the vendors who can manufacture Audio & HiFi systems.⁸⁸³

Thus, users enjoying high-quality music, as mentioned before, are the primary source from the

⁸⁸² Anonymous. Interview No.3. 16 Feb. 2016.

⁸⁸³ Gerald D. Oliver. *How to Create a Fortune Sponsoring Distributors: Everything You Need to Know to Build a Successful Multi-Level Sales Organization*. Springfield, IL: Britton Press, 1980.

perspective of sale of Green Diamond membership. However, the applications, which has enabled the PCs and mobile phones to deliver music, had a limiting effect on the performance of Green Diamond Model as the use of speakers or stereo equipment with Hardware (PCs and Mobile Phones) enhances the expressive characteristics of high-quality music as mentioned in Chapter 3. Accordingly, to install smart chips, customers can access the QQ music service on the hardware device, and QQ Music also started to provide a standardised API (Application Program Interface) to manufacturers.⁸⁸⁴ On mobile phones, this allowed the provision of a variety of terminal devices to wirelessly play music using QQ Music, thus improving music quality in different environments and further stimulating user demand for high-quality music. Accordingly, enhanced service quality increased customer loyalty, and it shows another successful differentiation strategy. In the meanwhile, the QPlay project extended the QQ Music's applied range. It facilitated greater business cooperation such as technological cooperation with Sonos and harvesting of a hardware partnership with Ford.⁸⁸⁵

Furthermore, QQ Music draws support from Tencent's e-commerce platforms and resources to facilitate marketing, promotion and sale channels of its partners. It is mutually beneficial cooperation for both the parties.⁸⁸⁶ Thus, QPlay helped QQ Music to avoid any risk in hardware production and enabled it to develop a rapidly expanding market through different devices,

⁸⁸⁴ API is a set of subroutine definitions, protocols, and tools for building application software.

⁸⁸⁵ Tencent, through the hardware and technical cooperation, prompted QPlay, became a cross-platform cooperative action that linked SYNC AppLink from Ford, Sonos's system with QQ Music. *Tencent*. "Tencent Music Prospectus." 2018. Internal Tencent report. Unpublished.

⁸⁸⁶ See from Interviews 3, 12, 13 in Appendices.

supported with services provided by QQ Music.

The design of QQ Music's business portfolio set in motion an elaborated plan which initiated from user demand, using demand to give guidance on decisions about methods and modes. First, QQ Music looked for common characteristics between products to ascertain the possibility to create value by combining these into one model.⁸⁸⁷ Meanwhile, it established a large database for analysis of customer habits which served as a guide to satisfy the needs of the customers. Consequently, this design aims to provide a robust environment that stimulates users to promote products and thus energetically extending the customer group. Thus, understanding the business portfolio of QQ Music is an important basis before the start of the analysis of its resource allocation.

6.2.2 Resource Allocation

Resource allocation is a process and strategy which involves decisions of a company regarding the allocation of scarce resources either to the field of services or in the production of goods. A resource can be considered as any element of production system like consideration of the importance of a singer and a songwriter to the music industry. QQ music through two projects,

⁸⁸⁷ According to interview 11, the development direction of QQ Music is completely different from most western Digital Music models. It has Chinese characteristics and unique attributes of Tencent Ecosystem products. QQ Music's strategic adjustments were made after observing the failure of other Western models in China. As mentioned in Chapter 5, Social science theoretical research also requires creative imagination, an imagination not limited by the description of existing social science observations, but independently creates a new image of imagination. Industrial Convergence in China's Digital Music Industry promoted by QQ Music has given a new definition of Digital Music products in the Chinese context.

as outlined below, has provided solutions for identifying and locating some hidden talent, the developing musicians and creation of songs for commercial operation besides for resolve of a series of problems. According to interview 12: “QQ Music is committed to developing the upstream industry of music, the creation of songs”.⁸⁸⁸ QQ Music has an explicit understanding of the importance of musicians in the resource allocation process and has set up a musician-centred development strategy. It is important to note that the projects not only solve issues of resource allocation but also facilitate the channels for collection of music resources and to use a stand-alone method of being able to train musicians and to produce music.

6.2.2.1 The Open Platform with the Concept of “Crowd Innovation Plus Music”

Independent musicians did not develop as a concept in China, mainly because copyright protection of music was inadequate, and there was also the lack of proper channels or platforms to build a fan base. Given this situation, QQ Music announced that it would implement an open platform and would form the concept of “crowd innovation plus music” in October 2015.⁸⁸⁹ As mentioned in Chapter 4, due to the developing situation of China’s Digital Music market, QQ Music used cooperation instead of competition. This open platform worked as an approach for market penetration, seeking a new customer base for QQ Music. According to Mr Mingzhong Ji, Senior Product Director of QQ Music, QQ Music will offer a one-stop platform to all content producers, including independent musicians and copyright parties. “Crowd innovation” is the strategic direction for Tencent, as such desired result of the aim of this open platform is to

⁸⁸⁸ Anonymous. Interview No.12. 18 Feb. 2016.

⁸⁸⁹ “Crowd innovation” is a Chinese characteristic vocabulary translated by Central Compilation & Translation Bureau. It means to help people to pool their ideas and talents through a synergy of business start-ups, innovation. CCTB. 2016. www.cctb.net/bygz/zywxsy/201602/t20160203_335131.htm Accessed 10 May 2018.

enhance QQ's influence in the music industry. This platform has been set up to provide a solution for a variety of needs, including content promotion, copyright bonus and commercial development of music.⁸⁹⁰ It will greatly increase the production efficiency and would be a source of enthusiasm for musicians to work more eagerly and dedicatedly.

According to interviews 1, 2, 3 and 11, the features as mentioned earlier are the main processes to promote musicians in China.⁸⁹¹ The platform operates on almost similar lines of a talent show like "Britain's Got Talent" but is restricted to music-related activities. This process would enable QQ Music to accumulate contacts and content resources in the music industry. The preliminary plan is thus to provide an Online to Offline (O2O) model for music which would work towards the promotion of songs sales in exchange for enabling independent musicians to focus fully on music composition. As long as the music products meet with the requisite standards meeting market demand, QQ Music will look forward to further collaborate directly with the musician or as a third party to drive music sales.

By combining its network ecosystem and giving full rein to taking the "connector" role, the open platform of QQ Music has the potential to drive the development of multiple links in its Digital Music Ecosystem and to eventually construct a mutually beneficial and complementary model for the music industry. Meanwhile, it is striving to achieve long-term sustainable development incarnating strategic planning for efficient resource allocation, such strategic management of

⁸⁹⁰ At this point, content promotion for music is akin to promotion activity for elements of music composition such as lyric, melody, production method, creation theme, story of musician. *TechWeb*. "Interview with QQ Music director." 2015. www.re-chord.net/shot/news/7029 Accessed 10 May 2018.

⁸⁹¹ See from Interviews 1, 2, 3, 11 in Appendices.

resource has helped QQ Music to formulate its vision and goals for the future. Previously, the original Chinese music and associated musicians were in a weak position. The operation of this platform will improve the existing situation of the musicians and would facilitate to establish good relationships with Chinese musicians to increase QQ Music's influence on the issue of copyrights. Stakeholders responded in a positive way to the inception of open platform and one-stop product and service system of QQ Music, and it positively impacted musical creation. However, the platform itself required a great deal of investment and resource support with an inability to generate any revenue in the short term. On the other hand, it is a perfected continuously process of QQ Music's industry chain with the purpose of CP and SP integration. The success of such a platform in the Digital Music business would unleash a string of deadly blows to the most record companies doing business in China.

6.2.2.2 Use “Music +” Project Exploiting Intellectual Property

Intellectual property was an innovation of Tencent when it hit a great success in 2013 with IP being in place as the core business model.⁸⁹² Tencent uncovered a market of 85.9-billion-yuan by virtue of filming numerous novels in 2015.⁸⁹³ In order to meet the entertainment needs of different audiences, the original content served as an IP to lead towards subsequent development. As mentioned in Chapter 2, IP is used by the creative industries as a tool to expand the value of content taking the adventure of the diversified revenue. It is a good profit model. Accordingly, the focus of competition in the music market gradually turned from the music content to

⁸⁹² *Tencent*. “Tencent Music Prospectus.” 2018. Internal Tencent report. Unpublished.

⁸⁹³ *Tencent Research Institute*. “A Research for Excessive Entertainment” 2016. www.tencentresearch.com/4511 Accessed 10 May 2018.

musicians. According to interview 11:

“Currently, for China, the core value-addition for the music industry is to develop the potential value of the singer, also known as developing the economic value of musicians’ IP and to maximise the value of the fan economy”.⁸⁹⁴

In this case, the level of business cooperation between musicians and the music platform is the key to test its capabilities.

“Music+” has been a critical part of QQ Music’s development in 2016. It aimed to promote an industry-wide digital revolution with more intelligent and personalised services applicable to China’s digital industry. The core target of “Music+” is to create value for the musicians’ IP. QQ Music wished to sign an exclusive contract with independent musicians and stars, having personal studios, by constructing a high-quality fan experience platform and an overall fan service system as a starting point. Once the contract with a musician is signed, QQ Music offers a full range of customised services which also includes already developed services, including the “QQ Debut Concert”, QQ Music Prime Music Concert, Digital Album, and a fan club for musicians. It will also attract more diverse music-based audio-visual experiences for their fans embedded in the resource chain of the Tencent. Such kind of “people-oriented” direct investment based on individual modes of cooperation is beneficial for both sides. In this project, QQ Music promoted singers, according to their characteristics or aspirations, which is akin to the

⁸⁹⁴ Anonymous. Interview No.11. 24 Feb. 2016.

management of the conflicting demands of stakeholders to stay in a balanced position.⁸⁹⁵

In terms of platform operations, the addition of independent musicians, as part of the base means that the platform's value and influence are increasing. Thus, the resources of QQ Music are optimally allocated when they are used to produce music and services to match fans' needs and expected costs by ensuring the provision of music and services at the lowest possible cost of music production. Accordingly, musicians and record companies have carried out data collection via this platform to understand the needs of the fans better to plan more customised schedules. It involves creating what fans want, as cheaply and efficiently as possible, through the "Music+" project.

6.2.3 Competitive Advantage

6.2.3.1 The Product Cost and Quality of QQ Music

Quality is the capacity of a product or service to meet or exceed customer requirements or expectations and QQ Music has taken steps to take care of effect on quality management.⁸⁹⁶

According to the TGM theory, Deming counsels design of quality products and services by the businesses, match customer requirements, and to develop processes and systems that reduce waste and increase quality while decreasing the cost of production at the same time. QQ music from its first signing for development can be viewed as implementing this theory. At first, the

⁸⁹⁵ Nabyla Daidj. *Humanistic Management in Practice*. New York, NY: Palgrave Macmillan, 2011; Nathaniel Lupton, and Michael Pirson. *Humanistic Perspectives on International Business and Management*. Hampshire, England: Palgrave Macmillan, 2014; Hutchison Todd, Carl Lyons, and G de Rodriguez. *Humanistic Business: Profit Through People with Passion and Purpose*. London, England: Bloomsbury Publishing, 2014.

⁸⁹⁶ See from Interviews 11 and 14 in Appendices.

development of the QQ Music production system is very comprehensive, and it has evolved over the years since it was a relatively early entrant in the Digital Music business in China, being established in 2005. Accordingly, QQ Music has built its business portfolio to reduce tangible costs on sales. Meanwhile, QQ Music has also reduced tangible costs on music production by using the system approach of ISO 9000 for managing music production. This system approach stresses the importance of interdependencies between processes and systems, as mentioned in Chapters 3 and 4.

Secondly, QQ Music focused on copyright acquisition from the beginning at a strategic level, which brought QQ Music exclusive copyright partners, including Warner Music, Sony Music, YG Entertainment, LOEN Entertainment, CUBE Entertainment, JVR, Linfair Records, Emperor Entertainment Group Limited and HYAYL. A total of twenty major record companies, from across the globe, have partnership (Genuine License) with QQ Music since 24 Sep 2015.⁸⁹⁷ Further, QQ Music has strategic copyright partnerships with more than 200 record companies and have exclusive rights of high-quality music shows such as “I’m a singer” (Top singer competition reality show from Korea) and “Chinese Good Voice” (Chinese version of The Voice of America). By achieving all this, QQ Music has become China’s largest Digital Music platform, advantageous to a further reduction in its cost-quality rates and tangible costs on music production. A large number of copyrights cooperations can be seen as the start of a successful monopolistic competition strategy that has empowered QQ Music to influence market prices of

⁸⁹⁷ *Tencent*. “Tencent Music Prospectus.” 2018. Internal Tencent report. Unpublished.

Digital Music.

Thirdly, as mentioned in the earlier section, the quality of QQ Music has been recognised by the Chinese market because the primary goal of QQ Music is to provide an outstanding customer experience. Consequently, awareness of QQ Music's and its top-level rating in China's Digital Music Industry has established a good brand image for QQ Music and has reduced its intangible costs.⁸⁹⁸ In short, QQ Music has achieved a competitive strength in its operations and content supply chains in the Chinese Digital Music Industry, making it conducive to any music-related business expansion.

6.2.3.2 The Special Assets and Expertise of QQ Music

The size of the user data, acquired by QQ, means that QQ software has gained a solid foothold on the desktops of QQ users' devices. As noted earlier, the number of QQ users is almost as high as that of Chinese netizens, whose online habitual behaviour will continue to ensure their long-term dependence on QQ software because Tencent has built and put in action a business ecosystem. With its ever-increasing number of users and influence, it would be challenging for its competitors to stand against it, which would further contribute to the QQ Music's competitive advantage. Undoubtedly, the sustainable and strong foothold of QQ, on its users' desktops, considerably facilitates the fast expansion of QQ Music and any of its new business products by keeping the music and services related costs quite low and thus giving QQ a competitive

⁸⁹⁸ Susanne Royer. *Strategic Management and Online Selling: Creating Competitive Advantage with Intangible Web Goods*. New York, NY: Routledge, 2005; Nabyla Daidj. *Developing Strategic Business Models and Competitive Advantage in the Digital Sector*. Hershey, PA: IGI Global, 2015.

advantage.

Since by its design, QQ is a social networking instrument, its massive user base, provides QQ with an opportunity to facilitate the development of relationship networks of online users taking advantage of a complete database of online users in China. It has also helped QQ Music to make music-related tasks more manageable by using big data analytics.⁸⁹⁹ Big data analytics helped QQ Music to accumulate a collection of large sets of data in an effort to predict trends in the Digital Music Industry, to uncover other vital information besides providing assistance to drive its business decisions.⁹⁰⁰ The quantity of data per se is an important advantage, and it is even more extraordinary when it is coupled with the data being used for social networking. According to interview 13: “QQ has collected at least a billion users’ relationship networks”.⁹⁰¹ This offers Tencent substantial information for massive data mining, precision marketing, user segmentation, market segmentation, and business expansion of SNS (Social Network Services). No other internet company in China possesses anything to access and devise such an analysis.

Data management will immensely enhance QQ Music’s development and business promotion based on mergers of users’ social networking, giving an absolute advantage to QQ Music over its competitors. For instance, QQ and WeChat are successful in covering different user groups which led towards a huge number of potential new customers for sales of Digital Albums. Its

⁸⁹⁹ Anonymous. Interview No.14. 25 Aug. 2016.

⁹⁰⁰ Frank Ohlhorst. *Big Data Analytics: Turning Big Data into Big Money*. Hoboken, NJ: John Wiley & Sons, 2013; Viktor Mayer-Schönberger, and Kenneth Cukier. *Big Data: A Revolution That Will Transform How We Live, Work, and Think*. Boston, MA: Houghton Mifflin Harcourt, 2013; Michael D. Smith, and Rahul Telang. *Streaming, Sharing, Stealing: Big Data and the Future of Entertainment*. Massachusetts, MA: MIT Press, 2016.

⁹⁰¹ Anonymous. Interview No.13. 21 Aug. 2016.

duplication is quite difficult by any of QQ's competitor is a unique attribute which QQ has established. Meanwhile, playback level of songs and the big data index of the social platform, under the QQ product system, are essential references which have enabled the QQ Music to return the value of music to its customers, which makes the promotion and positioning of QQ music more efficient.

Tencent is well versed in discerning and satisfying netizens' needs, as its teams can always reach them through various means, such as, by employing sound data mining analyses, user surveys, the CE platform, and product blogs.⁹⁰² It shows QQ Music's superiority in exploring users' needs and experiences of products and catering more user needs through the extension, promotion and integration of existing product lines, as mentioned in the resource allocation and business portfolio section. From the beginning, Tencent's products have followed the same model, namely copying, improving and surpassing. Tencent appears to be in a better position to exploit this in contrast with its competitors, in general. "Experience" is a key within Tencent's value chain, and its dedication to its products can be suggested as a driving force, which increases its competence to explore the user experience fully.

It is their utmost effort through the exploration of needs and experience of users that have made it possible to achieve the penetration rate of QQ Music to reach 74.7% of the market (including Kuwo and Kugou), far ahead of the second runner viz.⁹⁰³ AliMusic having been able to cover a

⁹⁰² CE is based on the Microsoft Windows operating system but is designed for including or embedding in mobile and other space-constrained devices.

⁹⁰³ *Tencent*. "Tencent Music Prospectus." 2018. Internal Tencent report. Unpublished.

fraction of 12 % of the market since the advent of mobile music.⁹⁰⁴ QQ Music has deepened its integration with other platforms such as WeChat and Mobile QQ so as to fully exploit the potential of existing products to generate new business opportunities.

6.2.3.3 Setting the Barriers to Prevent Competitors from Entering: Digital Music Ecosystem

The outstanding characteristic of QQ Music, in contrast with the other Chinese Digital Music platforms, is that it has its management, promotion and development systems. As mentioned in Chapter 4, NetEase Cloud Music and AliMusic are the main competitors of QQ Music, and they appear to be such music platforms which have limited functions in comparison with QQ Music and its Digital Music Ecosystem. The Digital Music Ecosystem is a highly linked user group which supports the Green Diamond model. Moreover, these have formed a rudiment of “ecosystem” by linking all Tencent’s products together. QQ Music through its QPlay project (see 2.1.5), has opened technical interfaces and high-quality Digital Music assets, having the ability of connectivity with TV and other smart terminal equipment and has developed form an open and close-knit platform. It has activated all the links in the music industry chain and provides an opportunity for QQ Music to outperform other companies in the Digital Music Industry consistently. It does so by setting barriers to prevent competitors from entering the Digital Music Industry. Based on powerful platforms and the tremendous resources of Tencent, QQ Music established a Digital Music empire with Digital Music Ecosystem of “Content Copyright + Digital Album+ social network + E-business marketing + Online to Offline (O2O) Show”.

⁹⁰⁴ *Tencent*. “Tencent Music Prospectus.” 2018. Internal Tencent report. Unpublished.

Thereupon, QQ Music materialised an Omni-directional consumption environment for users. The system can be suggested as an indispensable one, supplying all to satisfy the needs for China's Digital Music Industry fully.

The music industry has suffered chronically from and was almost crushed by piracy. If such a scenario keeps prevailing, musicians can hardly gain the reward they deserve. In most of the situations, they are left with no option except to make a living elsewhere by doing something else other than music. In this context, QQ Music has decided to make efforts to develop its content management system that prioritises copyright compliance. Music production has a high market entrance standard and requires Professional Generated Content (PGC) to be its primary means of content production.⁹⁰⁵ For this reason, QQ Music has signed copyright transfer agreements with some record companies both at home and abroad, aiming to promote copyright compliance in the music industry. This is a prerequisite for the music industry to run in a positive circle. Ensuring copyright enables musicians to earn profits and reward, which allows them to produce music of high quality sustainably. This then brings benefits to all involved parties - musicians, platform providers, and users.

The authorisation of exclusive music copyright is a vital plane of the core QQ Digital Music Ecosystem. QQ music used two distinct management methods; cooperation with other music platforms as well as becoming deeply involved in promotional management of music and singers

⁹⁰⁵ According to interview 14, "Professional Generated Content (PGC) is the most important source of content in traditional industries, which requires professional competence and expertise of the content producer. PGC fits platforms that have a high threshold and require expertise, such as video programs, quality radio programs, and popular music platforms, for which only professionals can satisfy users' expectation."

as mentioned previously. For instance, QQ Music confronted with NetEase Cloud Music in the courts due to a copyright dispute from 2014 (see from Chapter 4). However, they have cooperated since October 2015.⁹⁰⁶ QQ Music delegated 1.5 million music copyrights to NetEase Cloud Music using a pre-paid and revenue-sharing model.⁹⁰⁷ Open-platform mode exerts more influence. Big enterprise like QQ is prone to cooperates with small enterprises to achieve win-win by sharing resources. On the other hand, record companies handed over a part of the promotion and distribution business of their songs and singers, when QQ Music becomes their exclusive agency. In QQ Music case, employing copyright purchase has become a channel to link record companies, musicians, music practitioners and users and it has driven music-heightened integration within China's Digital Music Industry with QQ becoming a leading player in the market.

As the layout of QQ Music's Digital Music Ecosystem was deliberately based on practical consumption patterns to fill the gap in China's Digital Music Industry, therefore, it solved the long-standing problem which plagued China's Digital Music Industry- the value chain rupture as a zero-customer demand on downstream platforms directly affects the production processes on the upstream platforms.⁹⁰⁸ In this case, QQ Music reconnected the value chain, as shown in the following figure:

⁹⁰⁶ Guo Jing. "Wang Luo Yin Yue Zheng Ban Hua De Tui Jin He Zu Ai." 2015. www.re-chord.net/8457. Accessed 21 May. 2018.

⁹⁰⁷ Anonymous. Interview No.19. 30 Oct. 2016

⁹⁰⁸ See from Interviews 10 and 12 in Appendices.

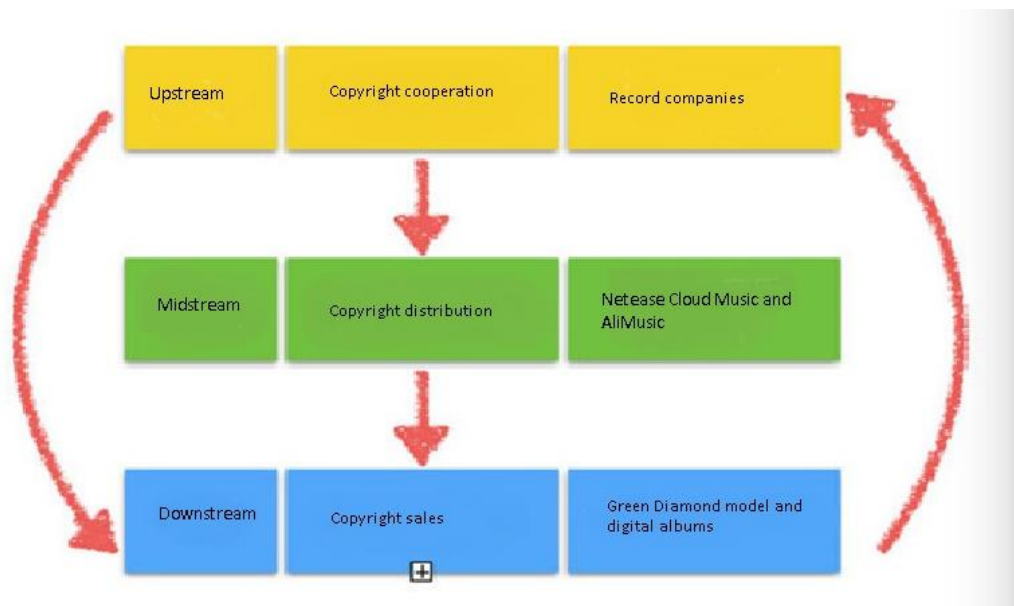


Figure 13. China's Digital Music Industrial Structure⁹⁰⁹

As shown in figure 13, in terms of upstream, QQ Music has constructed a partnership with record companies. On midstream, QQ Music operated as a distributor; distributing the music copyrights to other music platforms, who were willing to collaborate with it because of its overarching position in the market. On downstream, QQ Music took advantage of its Green Diamond model and sold Digital Albums to increase its copyright liquidity. The extensive platform of Tencent is the carrier of QQ Music. Specialised QQ Music service having been linked to WeChat, QQ, WeiShi, Qzone, QQ.com, and Tencent Video, all these social platforms acted in a union to offer a unique feature of QQ Music, which cannot readily be copied in China. It has given QQ Music a competitive advantage through product/service differentiation in the Digital Music Industry of China.

⁹⁰⁹ Completed by researcher.

6.2.3.4 Strategising Collaborative Advantage

Sustaining fruitful collaborations always help companies in the creation of a new value chain. In the internet era, more and more businesses and organisations are seeking collaborative advantages to use it as an effective way of achieving their vision. In this case, QQ Music particularly has favourable conditions to benefit from a well-planned business portfolio owned by its parent company Tencent. As mentioned before, QQ Music serves more users than its competitors and it operates across multiple online platforms, particularly social networking platforms being run by Tencent including QQ, QQ Zone, WeChat, and the highly popular online community “Theme Tribe”.⁹¹⁰ Thanks to its seamless integration with these platforms, QQ Music provides its users, especially young music fans, with an excellent music broadcasting experience, which in turn leads to users becoming accustomed to it. Meanwhile, an extensive product line from Tencent provided a space for QQ Music to extend its business. It also accumulated a large number of product development experiences from different areas of Tencent’s product chain.

Therefore, whenever QQ Music has planned to enter a different area of business, it always has the opportunity to gather resources from the internal formation of synergies quickly. Because QQ Music can achieve cooperation from its parent company’s product system, it has a little chance of facing a cultural mismatch between organisations which remains a very low probability of loss of autonomy in comparison with ordinary cooperation partnerships. Likewise, opting for any inaccurate marketing concept and practice by QQ Music can damage or dilute the

⁹¹⁰ *Tencent*. “Tencent Music Prospectus.” 2018. Internal Tencent report. Unpublished.

brand reputation of Tencent. On the other hand, has benefited from its vast community of music fans and fans' active participation, QQ Music is rapidly developing its "fan-based economy", which creates increasing opportunities for realising the commercial value of music through a variety of on-and offline activities such as Digital Album sales, mini-concerts and music awards. According to the interviews 11, 12 and 18, this is a process during which music experiences "value return", from the undervalued "sound stream" back to the worthy and versatile "product".⁹¹¹ This is exactly what appeals to a potential customer and why customers consider it worth paying for QQ Music.

6.3 Conclusion

The age of the internet is service-oriented. Users not only need high-quality online content, but they also require satisfying a personalised consumption experience, particularly in terms of the service they are being served. The skill of enhancing the core competitiveness of products to increase the user base is vital to the development of online music platforms. QQ Music precisely gauged the prevailing customer behaviour and, with a targeted approach, worked towards the development and refinement of the customer experiences by prioritising it as its primary mission and strategic management philosophy. QQ Music exhibits the strengths of its parent company's business ecosystem to construct its distinctive competencies which majorly consists of its Digital Music Ecosystem. QQ Music has evolved an integrative approach to manage supply and distribution networks in the music industry and to further promotes its product development by aligning their competencies with key partner agreements. That is how QQ Music has moved step

⁹¹¹ See from Interview 11, 12, 18 in Appendices.

by step to strengthen its influence on the market. QQ music platforms have made efforts to avail significant user traffic to establish a comprehensive music-centred platform and ecosphere where products and services are diversified. The precise understanding of user needs, and tailored services provided by user needs has put the company in such a position where it is continuing to succeed in attracting new customers. It can be inferred that, through building business ecosystems for Digital Music to enhance fan economy, to actively promote impulsive buying action and use of the opportunities of being available to the customers based on a reasonable consumer guide, are effective approaches in China. Moreover, QQ Music has taken the initiative of integrating traditional musicians with social networking, has empowered the users to search, explore, to recommend to their friends and share licensed music of high quality. QQ Music offers the users a fully integrated online music experience. It has transformed the music; from being an accessory of life to be a central and inevitable component of life. When they use it, users can express their feelings, can network and communicate with others as well as a personal exhibit style. Accordingly, QQ Music has implemented a strategy to organise and combine the online and offline contents, and it can be seen as one of the critical points in its success in a rapidly changing environment. QQ Music core operating model can be summarised, as shown in the figure below:

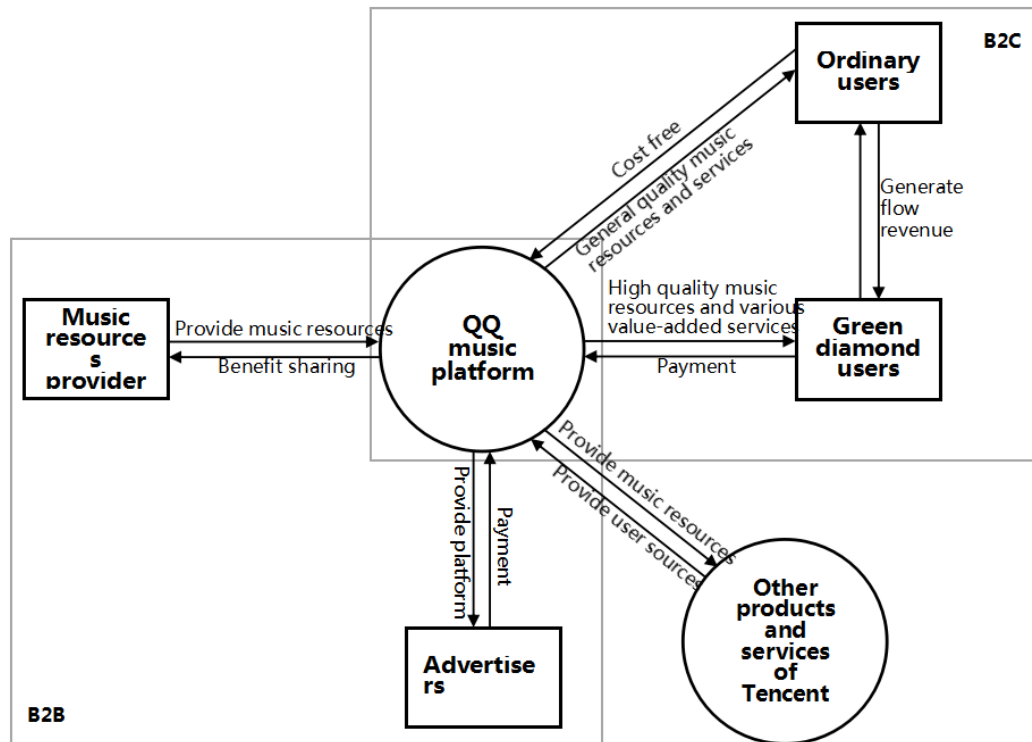


Figure 14. QQ Music Commercial Structure and Core Operating Model⁹¹²

Additionally, one of the main reasons for QQ Music becoming a significant player in the Chinese music platform is based on the specialised market environment of China's Digital Music Industry since 2005. However, the IP rights-related laws and regulations demonstrate an increasing interest at the Government level to facilitate the rapid development of the Digital Music Industry in China, which also has contributed towards today standing of QQ Music. With the international standards and the gradual integration of China's Digital Music Industry into the market environment, there would be more and more opportunities for successful application of western management theories or approaches in the Chinese context. However, it is crucial in establishing a foundation framework for Digital Music management to figure out how far western

⁹¹² Completed by researcher.

management theories would fully apply to China's Digital Music Industry. The next Chapter will bring together the analysis of China's external environment impact on theories/strategies developed in a western context with the theoretical framework found in QQ Music case study.

Chapter 7 Conclusion

This research has attempted to explore new dimensions of advanced business models and management theories for the Digital Music Industry in China. It has been undertaken to enhance the study of China's Digital Music Industry and to provide a practical assessment of good practices in a Chinese context in order to inform management practices in China's Digital Music Industry. Firstly, this research shows a new perspective, with a focus on the Digital Music Industry, in order to understand the reasons for the formation of western management theories, and it examines the differences between Chinese and western management thinking as regards the Digital Music Industry. Secondly, it explains, from the perspective of a Chinese musician, the reasons why western Digital Music models cannot be repeated in China. Finally, the research has been advanced, with the help of a case study of QQ Music, from the perspective of strategic management, based on the available literature. The research has also employed a qualitative technique, using interviews to seek clarification about the development tendencies in China's Digital Music Industry. It focuses on the understanding and analysis of China's Digital Music Industry, through a variety of questions, to clarify ideas and to pave the way for the subsequent application of theory and practice. To summarise, the research highlights the Chinese consumer's consumption logic, interprets the Chinese Digital Music market and the actual consumer demand for Digital Music, including the differentiation of Digital Music services. The main findings of the study can be divided into the following three portions.

7.1 Findings

7.1.1 Digital Music and the Digital Music Industry have a different definition in China and in the west.

The term “criticism” is the spirit of “reflection, questioning, and criticism” which aims to clean up concepts, to eliminate obscure impurities and make an object transparent, clear and accurate.

The researcher believes that the first things to clarify are the definitions of the basic concepts of management objectives. Unique and clear concepts are the starting points for the construction of a knowledge system in a disciplined way and can be regarded as prerequisites for the exchange of ideas in academic communities.

Digital Music is a new commodity in music. From a western perspective, the definition of Digital Music is determined by technology. With the development of technology, the digitisation format of music, the hardware carrier of music, and the quality of listening to music through digital devices or platforms are constantly developing. Digital Music is becoming more commonplace in scenes and devices. Thus, the concept of Digital Music is also fixed because it has been identified from the technical perspective since the beginning. However, for China, the concept of Digital Music is vague, and it is described as involving music that can be stored and disseminated in a digital form. The definition of Digital Music in China has been redefined continuously with the development of China’s Digital Music Industry. In China, after being digitised, music applications on various platforms or scenes, in order to meet people’s music needs, can be seen as Digital Music. People’s demand for music services actually determines the concept of Digital Music in China.

Based on its definition of the Digital Music Industry, the west thinks of digital-music-related business as a significant part of the Digital Music Industry. China's Digital Music Industry, however, covers a wider range of businesses, by contrast with the west. This is mainly because China's Digital Music Industry has been stepping forward on the corporate merger of SPs and CPs growth path in the early stage of its development. China's Digital Music is a dynamic system, and its formation and changes are affected by many factors, such as the distribution of benefits, technological updates, copyright struggles, and government regulations, which all affect its emergence and development.⁹¹³ On an important note, external environment factors have a more significant impact on Chinese Digital Music in contrast with western Digital Music, owing to the fact that the foundations of western Digital Music are based on a mature traditional recording industry and more standardised intellectual property law protection.

7.1.2 Owing to the different historical development backgrounds and to cultural differences, the demands of Chinese consumers for Digital Music are different from those in the West. This is a major reason for the failure of many western-style Digital Music platforms in China.

The application to the Chinese Digital Music Industry of management practices based on western management theories about the Digital Music Industry will encounter many problems, especially in the context of a rapidly changing and growing Digital Music Industry in China. Management and management theory are different categories, with different objectives. The object of

⁹¹³ As Case study have observed, the developers of many sorts of new ideas are abandoning intellectual property law as the principal method for protecting their creations in favour of either contracts or technological shields in China's Digital Music Industry.

management cannot be confused with the object of management theory. Any society or organisation can have a management which does not necessarily truly match that of another society or organization. People will express their views and opinions on the management practices, management activities, and management theories they have experienced or observed, to summarise. Even categorise the ideological concepts, categories and principles, and these may constitute management ideas, but basic materials may be very different because of different environments, different social status or different organisations and different stages of economic development. Furthermore, management deals with the reality of management practice activities, while management theory deals with the concepts and thoughts of management. Management theory cannot be separated from management practices, but it is necessary to distinguish the object of management and management theory.

Under the influence of the external environment, differences in thinking lead to differences in management methods and to the formation of different management concepts of Digital Music. When this management concept and way of thinking is employed to carry out strategic planning and management of market demand, different business models are formed, and different management theories develop, in connection with the Digital Music Industry.

The present research has attempted to explore a core issue. Both in China and the west, music content is considered as the core competency of a Digital Music company, but there is a big difference in the use of music content for a sustainable revenue stream. Due to policy impact in China, most of China's Digital Music platforms do not have much difference in music content,

although they all have to pay the copyright licensing fees. Therefore, the differentiation strategy in China must be reflected in aspects other than music content, leading to the development of more Digital Music products and services in China. This is also because the Chinese market and Chinese consumers have different views on the value of music content, in comparison with those from west; Chinese consumers perceive music as having a low commercial value.

This research also points out that the main factor affecting the development of management thinking in the Digital Music Industry in China is the degree of development of productive forces, which are mainly dependent on the progress and development of the relevant legal system and technology. The research also highlights the degree of similarity between the business models of the Digital Music Industry of China and the west.

History have proved that management practice is the driving force and source of the establishment and development of management theory, and it is the sole criterion for testing the correctness of management theory. The research, through observance and interpretation of case study and PEST analysis, points out that the establishment of China's Digital Music management is determined by the substantial change in social relations caused by changes in China's unique and solidly built economic and political structure.

The integration of Chinese specific economic foundation and superstructure, constitutes the corresponding social form and the corresponding systems and organisations, facilitates China's

Digital Music Industry. In a hierarchical society, the integration is mainly reflected in the political and legal systems and necessary facilities that regulate specific production relations.

To explain the generality and particularity of management activities and processes, it is necessary to firstly examine management concepts, ideas, theories and doctrine. They cannot be separated from the subject and object of management activities and these must rely on the realisation and process of a particular production relationship. It belongs to the essence of modern management that management is not only the configuration of the factors of productivity, but also the coordination of various aspects of production relations, and even the correction and adjustment of production methods and social forms. Therefore, considering the relationship between social existence and theoretical development, the research object and subject of modern management theory in China must be determined by Chinese national conditions and historical characteristics.

The most critical issue of management is to coordinate the organisation and its operating environment in order to align the expectations of people in the organisation with the organisation's goals. Although these basic principles and working procedures differ in different organisations and specific work setups, these differences only consist in the way they are applied and not in the principles of management.

Management theories originating in Europe and the United States have been derived from the management practices of these specific regions. These are a refinement and summary of the

general laws of management practices of these regions. However, it is an awareness of essential aspect that management theories and practices in other countries are not fully adaptable to the Chinese context, owing to the strong cultural heritage and local characteristics of Chinese society. Western management theories will continue to encounter challenging external environments if applied to Chinese management practices. In this case, many western management theories cannot directly help overcome the difficulties and obstacles that appear in the Chinese scenario, which shows that the existing researches in the Digital Music field of management are not universally applicable. There is no best solution, and the only possibility is a compatible solution. Reality requires that one must summarise the general laws of management practice activities, based on exploring and grasping the inherent laws of management science, in order to conduct in-depth research on the Chinese Digital Music Industry.

7.1.3 Although China's Digital Music Industry has attached great importance to copyright issues since 2015, due to market demand, the core revenue base of China's Digital Music is driven by the service, and it is very different from the content-driven market of the west.

There has always been a point of view that unless China strictly legally restricts piracy, development of China's Digital Music Industry cannot be similar to the that of the west. However, this point of view could not be established in this research. Western business models are not suitable for the Chinese Digital Music market. However, the ideas and concepts of strategic management in the western Digital Music Industry are beneficial to the norms of Chinese Digital Music management regarding the further development of this industry in China.

The researcher believes that researching strategic management is similar to how people paint. First, it must be known what constitutes a good painting. Secondly, it needs to be understood why it is good. Then comes the time to learn how to paint. This is a situation very similar to strategic management research. A good strategy should be an “adaptation strategy”, which requires “the adaptation of the relationship between the strategic content and the strategic environment.”⁹¹⁴ Especially, the strategy should be adapted to the three factors of environment, resources, and organisation. The environment is the external element of the enterprise, including the three variables of technology, customers, and competition; resources and organisation being the internal elements of the enterprise. Understanding the influence of the external environment is the basis for selecting a suitable strategic management approach.

To summarise, their dimensions can be inferred as follow. 1) In China, the political environment is more influential, in contrast with the market environment of the management approach. 2) China’s music market can be characterised as a sizeable derivative market with an extremely small market for music content. The industrial boundaries between the various sub-sectors, within the music industry are consistently being breached under the penetration of technology and capital, which are forming a new industrial ecology based on the maximisation of the value of user needs. 3) The development of a fan economy and the embedment of social elements in Digital Music platforms are crucial to the Digital Music competition in China.

⁹¹⁴ Harry Igor. Ansoff., Daniel Kipley, and A O. Lewis. *Implanting Strategic Management*. Upper Saddle River, NJ: Prentice Hall, 2019.

When referring to the management experience of other countries, cultural identity or practice-based development of management theory is an indispensable stage for China's Digital Music research. However, the alienation arising from the application of strategic management theories to practice in China reveals that, in such practice, localisation is required. The differences in tradition, history and culture have led to the diversification of management style. Localisation in strategy making, influenced by external circumstances in practices, manifests and interprets such diversity precisely. The combination of universal scientific principle and actual practice is the fundamental ideological principle that must be followed in social science. The main research question here seeks to understand the differences between Chinese and western thinking in the specific field of the Digital Music Industry. Further, it reflects on the impact of the external environment on the aspect of strategic management.

Therefore, it is necessary to develop a clear concept that the Chinese Digital Music market is service-driven and the western Digital Music market is content-driven before making a strategic choice which is correct for the management approach in the Digital Music Industry in China. If a company has the resources, but the management strategy does not match the organisational situation of the company and the enterprise, then this would not be the perfect strategy to help the advancement of the business. As a result, corporate strategy only becomes feasible in a situation where strategy, environment, organisation, and resources interact and fit together in the right mixture and proportion.

Furthermore, it is undeniable that, after all, the market economy in the Digital Music Industry

with Chinese characteristics is relatively young, and many necessary systems and operating mechanisms need to be improved and perfected. Some key issues, such as state-owned enterprises' property rights and governance mechanisms are still in need of theoretical and practical breakthroughs; while market allocation improves resource allocation efficiency, the issue of social equity is becoming increasingly prominent, and this has become an obstacle to the further development of a market economy with Chinese characteristics in the Digital Music Industry.

But as a musician and from a musician's perspective, the researcher believes that it is good that the western business model gets much attention in China. Based upon a judgement from the current situation, this model can hardly generate profit (for SP), but it does secure the quality of music content and can bring a substantial income for musicians (CP).

In China, the official channels are too strong. At the early phase of development of the music industry, companies backed by the government, such as Chinese Telecom and Chinese Unicom, were the only ones earning profit. Products that gain high profits will attract more resources through different channels. This is also one of the reasons why China's digital music is based on SP and service-oriented development. Although this situation has dramatically changed with the development of China's Digital Music Industry, the perception that SP is king has been deeply implanted into the Digital Music Industry in China.

The rapid development of China's Digital Music Industry is based on the extremely unfair income distribution for the professional strata of musicians. The current development of Digital Music in China is suggestive of good business operation and management, from a business perspective, but it exhibits an unfortunate trend, with uneven distribution of revenues amongst musicians, from a long-term industry perspective.

China's Digital Music Industry has created new opportunities for development in today's age. The value chain of the music industry is also continually being updated, expanded and extended. More and more economic development factors, such as capital and technology, have entered this industry. The music industry and music products connect more and more industries. The researcher believes that only a reasonable profit distribution can ensure the quality of music content, which will promote the Chinese Digital Music Industry on a long-term basis and in a healthy way. After all, no matter how diversified music services are, the core demand of consumers is, and will always be, the music itself.

7.2 Future Research

Chinese and western cultures have their unique history and characteristics, which can be attributed to the development of human society on different trajectories of social structures. The development of human social productivity is rooted in specific cultural soils; social productivity and culture are closely linked to each other. They interact with each other, promote each other, and restrict each other, and this directly affects the development of management thinking and, accordingly, China and the west eventually have different cultural forms, productivity

development trajectories, and characteristics of management thinking. In the context of social and cultural integration, where the pace of economic globalisation is accelerating, unique cultural advantages will become the basis and prerequisite for the further development of management theory. An understanding of the unique attributes of China's Digital Music Industry is conducive to understanding China's management culture and its market environment. The cultural characteristics of management will be permanent, and these will affect the course of world history and the development of management thinking in the longer term.

The different characteristics of Chinese and western thinking methods can be seen from both a general and relative perspective. These cannot be understood in a simple, dogmatic and rigid manner. Nor can we deny exceptions in the characteristics of these respective thinking methods or similarities between China and the west. However, a comparative study on the contribution of the specific characteristics of the way of thinking in China and in the west, can help us to explain specific cultural phenomena in greater depth and, thus, to build a better management approach for the Digital Music Industry. Thus, only by comparing and analysing the different ways of thinking, of management practices, and management theories, and of business models formed by China and the west in different historical and cultural soils, can an understanding be developed of specific cultural expressions, for the sake of promoting mutual learning, communication, and the exchange of Digital Music management in the two cultures.

The significance of the present research on China's Digital Music management lies in the refinement of general management theories for the Digital Music Industry, based on the

particular context of China. What managers do is precisely the same, but how they do it, may be quite different. Thus, one of the fundamental challenges being faced by managers in a developing country is to find and identify such parts of its traditions, history and culture that can be used as management building blocks.

It is complicated and challenging to explore a uniquely Chinese way of researching Chinese management. The researcher holds the view that Chinese management theory will only reach its highest vitality, and yield the most substantial results when it attempts to interpret Chinese phenomena in a Chinese pattern. Accordingly, the researcher considers that the most significant contribution of further research on China's Digital Music management would be the identification of the general laws of Digital Music management, and a future scenario could be the application of the Chinese Digital Music operating model to the global market.

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Appendix A: Interview Notes and Transcripts⁹¹⁵

Interview 1. (15 Feb. 2016)

A: 您作为音乐人，觉得在现在的中国数字音乐产业中如何能保障自己的利益？

A: As a musician yourself, what do you think the Digital Music Industry in China could do to protect its interests?

B: 中国人比较讲究易经，阴阳相济。首先关于盗版问题，国内有个很早的黑豹乐队，说很感谢盗版，因为盗版让他们的音乐传唱度变高，提高了乐队的知名度。这种就比较符合中国音乐人对盗版的一个比较正面的态度，跟眼球效应一样。大部分音乐人在中国发展首先考虑的都是知名度问题。

B: Chinese people are influenced by the philosophy ‘Yin and Yang coexist’ in the ancient classic Book of Changes, or rather ‘the positive and negative exist side by side’. As for the issue of piracy, there was once a music band in China known as the Panthers, who said they actually appreciated piracy because their music works gained greater popularity and publicity thanks to piracy. This perspective mirrors the positive view held by many Chinese musicians towards piracy. Most musicians in China prioritise how to promote their name and popularity among the general public over other issues.

A: 就像早期音乐人花钱送给别人听

A: Just like some musicians at the early stage of their career would pay others to listen to their

⁹¹⁵ Part of the interviews Notes and Transcripts was requested to be deleted or re-edited after communicating with the interviewees.

music works.

B: 对, 就像泰勒斯威夫特这样一线的等级歌星的你肯定愿意花钱听。但除了这个等级之外的, 很少愿意付费去听。为了扬名立万, 我必须有一段低谷或者付出。因为中国现在的音乐市场早期都是需要投入, 见到了实际成效后(成名), 才会想收入。 中国人说偷鸡不成反蚀一把米, 你偷鸡还要带把米呢, 何况做生意做买卖, 所以音乐人多数穷光蛋, 没有资本去玩。所以我认为数字音乐本身是可以免费的。主要是需求问题。

B: Exactly. People would certainly like to pay for music works by A-listers like Taylor Swift, but for those singers without such celebrity, few would like to spend money. It takes quite some time and dedication to become a well-known singer. In today's music industry in China, musicians in the early stage of their career must make some investment first to enhance their publicity and make a name for themselves and making a profit often comes second. We know the saying 'go for wool and come home shorn', for which one would need to bring some bait to get the wool. The same applies to do business. We can't gain if we don't expend. Unfortunately, many musicians don't have the start-up fund to make this first step. I think Digital Music per se can be free of charge. What's more important here is market demand.

A: 相当于现在主流的音乐模式都是从版权上得到的收益都很少, 流媒体巨头的版权受益都是很少的。

A: In this context, the mainstream music industry has gained little profit from trading copyright music works, and the same can be said for the tycoons in mainstream media.

B: 对, 只能从人红了以后, 别的比如粉丝效应来, 艺人包装上面。大部分歌星在中国都不是靠音乐赚钱还是靠音乐出名。但是也不是说就数字音乐应该免费, 关键还是看有没有人愿意购买, 当然这也是成名的歌星才可以考虑的。

B: Yeah. The profit comes only after the celebrity is achieved through the fans effect and star packaging. Most singers in China don't make much money by means of music, but rather, they make a name, but this doesn't mean Digital Music should be free of charge to consumers. The key here is whether people are willing to pay for it. It seems that making a profit is only possible for those famous singers.

A: 这就相当于是一个徐徐渐进的过程.

A: So, this is a step-by-step process.

B: 你说吉克隽逸, 出来几年了, 没有那么红, 为什么? 还是知名度不够, 成绩不够卓越。我认为就是她的眼球效应还不够, 她当时做了很多广告, 但是你还是得来啊, 你要红不是一两年, 你得持续三到五年, 大规模的出现。

B: Take Miss Jikejunyi as an example. She has become a professional singer for a few years now, yet she hasn't made herself a star. Why? It still comes down to insufficient publicity and her ordinary performance. I think the main reason is that she hasn't attracted enough attention to her from the public. It's true when she first came to be known as a singer, and she also publicised herself by taking many commercial adverts. But this is far from enough. If you want to become a real star, you must keep high publicity for at least 3 to 5 years and make an appearance frequently.

A: 就是保持曝光率保持问题。

A: So, it's about maintaining high media exposure.

B: 作为一个音乐人我认为这个是可以牺牲自己的既得利益去换取的。都是考虑长期的利益了, 短期来是不能考虑的。我现在做网络直播, 斗鱼, 有的人每天晚上来唱歌, 一些歌星可能唱的不是那么好, 但是还是慢慢有了很多粉丝, 你可以通过这个慢慢寻求发挥自

己的轨道。这也是数字化领域传播的方面。

B: As a musician myself, I think it is worth compromising the short-term profit for the long-term reward. I'm doing live webcast programs on Douyu TV these days, and I see some come to sing on this platform every night. Some are perhaps not great singers, but they can still develop their fans base over time. By doing so, one may gradually arrive at the right track for their music career. This is also an aspect of digital communication.

A: 您收入怎么样？

A: Have you made a profit?

B: 目前为止没有比较实际直观的资金收益。

B: So far, there has been very little tangible profit.

A: 据我的了解，很多直播都是跟盈利挂钩的。

A: As far as I know, many live webcast programs are produced for making a profit.

B: 一半一半吧，我觉得这个是次要的，主要还是希望积累粉丝基础。我们目前有收入，不是没有，只是太少了。我们一个月做了一万的粉丝，你看按这个数字，我一年就是12万。我们直播间就四五个人，做网络宣传还是很快的。粉丝基础上来了，广告收入就来了。这是要有个漫长的过程，就像刚才说的，这都是我的投入。

B: Perhaps half for profit. I think for us making a profit now comes second. Our priority is to develop a large fans base. We are indeed making money, just very little. In one month, we can attract 10,000 fans, and in the same manner, we would have 12,000 fans a year. We only have four or five members of staff, but our online publicity is effective and efficient. Advertising revenue always follows a large fans base. It takes time, and this is the investment I was talking about earlier.

中国这个出名跟美国不太有一样。中国做音乐是早期都有一个漫长的时间，而且利益分配不是很公平。在国外的话就不见得，版权保护好，只要作品发行了，就有钱。我觉得还是法律法规的，国外的投资到音乐行业可以看见收益，有保障。但是国内可能投三五年都不见得结果。当然国内的市场也有一定的问题。很多网民说的，花钱我就不听。然后就是平均的音乐素养问题，艺术发展层次还是低了一些，可能还得一段时间去发展。还有，做艺术就是苦行僧，也不见得，更不能指望挣钱，不确定因素太强了。你说的版权啊收益啊，有制度的原因，有发展时间的原因，人的欣赏水准问题等系列因素。

Making a name in China is different from the situation in the United States. In China, it takes a rather long time to establish yourself at the early stage, and profit distribution is not fair, whereas, in overseas countries, profit is there insofar as you have protected copyright and released the music works. I think this also has something to do with laws and regulations. Investment in the music industry overseas can profit as it's protected legally. Such investment in China, however, may not see any financial return in 3 or 5 years. Of course, other problems in our domestic market have also contributed to this predicament. Many netizens say they wouldn't listen to the music if they must pay for it. Also, people's taste for and appreciation of music overall and the current level of development of the music industry are all relatively premature. Development needs time. Furthermore, being an artist is like an ascetic monk, whose work would not necessarily lead to profit, and they should not even desire profit out of what they do, because there are so many uncertainties involved. The copyright and profit you talk about hinge on a multiplicity of factors such as regulations, stage of development, and peoples' appreciation of music works.

A: 主要问题就是培养用户基础和消费意识。

A: So, the key issue is how to develop the user base and users' awareness of consumption.

B: 算是吧，目前国内大家都关注怎么圈粉。比如我有十万粉丝的时候，有资格和资本去进行其他的商业运作了我就可以挣到钱了，钱是通关眼球效应获得的。

B: Basically, yes. Nowadays, people in China are most concerned about how to attract more fans. This is how it works: if I have 100,000 fans, I would be in a good position with the capability to do music-oriented business, which then leads to profit. Profit is made essentially based on the effect of the fans.

A: 简单的说音乐本身，更趋向于功能性，是让我成名的途径，也是保持我知名度的手段。

A: So, to put it simply, the music itself is an instrument for me to make a name and continue to keep myself popular.

B: 国外老的古典音乐是版权，但是数字音乐还是不一样。不管是默默无闻还是到一流二流，还真不是音乐赚钱，而是保持这个知名度。这就是对自己的运营。所以，这个东西可以为你获利，但是不能获利的时候，一定要把他发挥到极致。

B: In overseas countries, classical music works can bring profit owing to copyright, but Digital Music is different. It doesn't matter whether a musician is famous or not; music is not a cash cow, but rather, an instrument that helps maintain celebrity. This is what musicians do to develop their career. In a nutshell, music can bring you profit when the circumstances are right, before which musicians should make full use of their work for other benefits important to their career.

A: 国内的数字音乐来说，阿里，百度，QQ，掌握了大量版权、平台。您比较看好那家？

A: In the field of Digital Music in China, the Ali Music, Baidu Music and QQ Music have all managed massive copyright music works. Which one of them do you think is the best player?

B: 目前为止我对这三家，可能从情感上说可能是 QQ，但是很多歌没有，因为版权原因下架了。很多人说是好事，但是我觉得这不是什么好事，流失了大量听众。原来的酷狗，

保护这个平台，我认为是符合大众口味的。阿里我了解很少，但是从网络营销来说，阿里 QQ 占很大优势，用微信的人太多了。最后就是看谁拿到别人没有资源。作为音乐人，我的基本要求就是曲库要全。资源要全，为什么去百货商场，因为大呀。我没有看到谁做单一的销售型网站做的很好的。数字音乐在中国对于音乐人粉丝和知名度的积攒是很好。我觉得直播是积累粉丝速度最快的平台，谁先做的谁占优势。

B: Among these three, I would prefer QQ Music because of my history with it, but unfortunately, many songs have been taken off shelf due to the copyright issue. Many say this is a good thing, but I think otherwise, as this has resulted in the loss of a great many users. The old-time KuGoo Music made an effort to keep its resources on the platform, which I think was fit for the public's taste. I don't know much about Ali Music. I think from the perspective of online marketing, Ali and QQ have a great advantage due to their massive user base. Think about the great number of users of WeChat (an instant messaging platform developed by QQ), for example. It all boils down to who acquires the resources that others don't have. As a musician, I would say a music platform must have a relatively complete collection of musical works and relevant resources. Think about why we go to the shopping mall because it has a large collection of products. I have never seen anyone who runs a successful e-business platform where only one type of product is on sale. Digital Music is a fine instrument for musicians in China to accumulate a great number of fans to develop their popularity. I think live webcast serves as the best platform for attracting many fans in a short time. Who gets down to it first who will have the upper hand?

A: 您作为音乐人来说，中国数字音乐是有政策性导向的，你希望有什么政策？

A: Government policies influence the development of Digital Music in China. What kind of policies would you like to see as a musician?

B: 到目前还没有想过。我认为目前中国音乐市场发展还不错，基数大人口多，高速发展，中国的态度是比较包容的，又不是宗教国家。国际说收钱啊，也没有阻拦。我认为很好。有一些认为禁了很多歌，我觉得正常，因为这些歌实在过分了，国外的东西不是全对的。中国五千年历史文化，有些可为有些不可为。反人类啊，反政府肯定不行。把人的三观违背了也不行，我不反对你的存在，但是你非要宣扬这个东西，你说我封锁你，你向我灌输这个，你问过我接受没有？所以，我认为还是不错的。好几个音乐类节目，都推动了整个音乐的发展。

B: This hasn't occurred to me yet. I think so far; the development of China's music industry is quite good. We boast a large population base and fast economic development. China is not a religious country. The Chinese government is being tolerant and does not prohibit it when the international society calls for paid consumption of music works. I applaud this. Some people think many songs are censored, but I think this is acceptable. We must admit those song censored are inappropriate. Not all things from overseas are right and good. China's five thousand years history tells us there are things worth doing and there are things worth not. Those against humanity and state government must be stamped out, as well as those against people's positive views of the world, life and values. I am not against the existence of the inappropriate, but these shall by no means be advocated. It is not acceptable, at least to me, that when you've never asked me whether I would like to accept these things and try to implant them in me. So overall, I think we have a positive environment for the development of the music industry. There have been quite a few music programmes that have well promoted the industry.

A: 音乐环境氛围在变好。更多人在关注这个行业。

A: So, the environment for the music industry is improving, and more people are paying attention

to this industry.

B: 对。希望我们国家的把文化再推动一下，会更好。国家的强盛跟文化是有关的。中国的数字音乐发展很大程度基于国民音乐素质的提高，不管是理解、审美，都需要提高，来带动产业的发展。努力提高标准。文化和国民素养还是相通的，想好啊，都得好。至于钱不钱，见仁见智。

B: Yes. I hope the government would make more effort to promote our culture, which also helps develop the music industry. A country can't become a real power without cultural prosperity. The development of Digital Music in China, to a large extent, hinges on the enhancement of Chinese people's overall quality in understanding and appreciating music. The development of the music industry, the promotion of our culture and the enhancement of citizens' quality are all interconnected. If we want one aspect of society to develop, we need to develop other relevant aspects as well. As for the importance of making a profit in the process, different people would have different views.

Interview 2. (15 Feb. 2016)

A: 首先, 您对数字音乐产业的发展有什么想法。

A: How do you find the development of Digital Music?

B: 数字音乐的发展还比较局限, 都是网络公司和唱片行业, 整体比较滞后, 感觉只是把以前的传播平台改成了网络, 就变成就数字音乐产业, 只是物理介质发生了变化。至于经营模式啊未来延展啊, 规模化啊, 非常不明晰。拿武汉来说, 比较靠前的城市, 国家在发展文化产业, 客观来说武汉是没有音乐为主体的模式的, 因为没有人才和渠道。据了解在北京是有, 但是在你所讲到的那个对于他们应该是新概念, 而且也只是在数字版权上面做文章。国内最早的数字音乐应该是移动通信联通以通讯这一个为主体的, 他们在数字音乐方面是国内比较先进的了, 这个是因为跟他的整个的经营模式, 传输模式是有关联的, 那么从最早的音乐产业功能化的这样一种模式, 应该就是十年之前产生彩铃。他们把音乐做出了产业, 传统唱片公司也发现可以通过这个赚钱。音乐功能化了。但是这里面又有一个问题, 就是在国内而已通讯行业是垄断行业, 他这个垄断行业来讲的话势必造成, 移动联通和电信, 他们一定是以这种集团化采购的一种模式去产生。音乐本身是没有在其中产生任何利益的, 因为你本身已经被经济公司拿到了整个音乐版权, 那么在这个部分的话, 谁拿到版权之后跟它产生了这样一种关联, 也不排除中间有一些个体音乐人可能受益。

B: The development of Digital Music has been rather limited with the main players being internet companies and record companies. Overall, the industry is still in its infancy. We see the change, mostly taking place in terms of how music is shared. The Digital Music Industry basically replaces traditional music platforms with the internet. This is to say, only the physical medium involved is different. The business model, future development strategies and plans for large-scale

development are still all obscure. Let's look at Wuhan as an example; the city recently listed as one of the new first-tier cities in China. The government is now developing culture-related industries, but we know Wuhan doesn't have its Digital Music-centred industry due to the lack of talents and resources. From what I have heard, Beijing has it, but I think what you mentioned earlier remains a new concept to them, which is still limited to the copyright of Digital Music. The early players in China's Digital Music Industry were mainly communications companies such as China Mobile, China Telecom and China Unicom, which have now become leaders in this field. This is attributed to how they operate the business and transmit information. The earliest attempt to make music a commercial business is the music ringtone on phones developed by these communications companies ten years ago. After they gained some success, traditional record companies found that they could profit from this. Since then, music has been made more functional. But what's worth noting is that the communications industry is monopolistic. This means China Mobile, China Unicom and China Telecom make group purchasing, and music per se doesn't bring musicians much profit, because firms have already acquired the copyright of these music works, although some individual musicians may somehow profit a bit in the process.

A:剥削了音乐人本身的利益。

A: This then takes away much of the profit that musicians are entitled to.

B: 对,音乐人本身是无法从中获得很多利益的,大部分利润都被通讯公司和经济公司获得了。当然个别音乐人可以直接和通讯公司签约的话还是可以获得不少收益的,但是这只是极少数人。而且对于这样一个垄断行业,那么成本必然会很低,不过由于中国人口基数大,导致规模也很大。不过这种经营模式不具有可持续性所以后来就慢慢萎缩了并且演变成了没有盈利模式,无法评估收益。我现在的电台媒体,也在界定 radio 的概念和数字

音乐的关联。中国的广播内容很大程度上在根据特定人群而定,广播音乐也是一样的。数字音乐发展过程中,建立的模式、习惯,给传统广播带来的最大变化就是版权意识。以前认为,音乐在电台来播就是顺理成章的,而且选择权在我方。很多唱片公司、音乐人,都希望电台多播放他们的音乐作品而且还有一定的宣传费用。电台作为一种公用资源是商业模式,没有哪个音乐电台是公益的,我是通过广告来受益的。

B: Exactly. Musicians themselves can hardly profit since most profit is taken away by communications companies and brokerage firms. Of course, individual musicians can profit by directly signing a contract with a communications company, but very few are in this situation. Also, for such a monopolistic industry, the cost is bound to be low, and this industry serves massive users because of China's large population. But this business model is not sustainable, which explains why it has gradually seen a decreasing profit and even so little that it's almost unlikely to assess its profit. The radio station I am working with is in the process of defining the relations between music broadcast on the radio and Digital Music. Radio programs in China including music programs, are largely produced for groups of audience. The biggest change brought by the development of Digital Music to the traditional radio broadcast is the awareness of copyright. We used to take for granted that music is broadcast on the radio and the choice of music is made by the program producer. Many record companies and musicians even pay radio stations for giving their music works more exposure to their programs. Radio stations as a public resource follow a business model. No radio station runs not-for-profit. They profit from advertising revenue.

A: 盈利模式可以讲一下吗?

A: Would you explain more about how they profit?

B: 音乐人来打榜，无论哪里，都是有宣传费用的，但是只限于一线城市，保证他的播出频率和资源，二三级城市收不到这个费用的，因为大家觉得没有必要了。这个模式到现在，我们都觉得是理所应当的，但是这个模式本身并没有产生价值。音乐在这个过程中没有产生实际价值，我们产生的价值都是靠播放渠道，到底还是满足了听众的部分诉求然后通过广告的附加值来获得的。

B: If musicians want to make their songs top on a list, they must pay regardless of which broadcasting platform we talk about. But only first-tier cities are selected to maintain the exposure of and resources for their music works. Second-tier and third-tier cities are in an inferior position because people don't think these places matter. We still accept this profit model, but we need to understand that music doesn't produce a real profit in this process. The profit we make comes from broadcasting, meaning that we broadcast songs to satisfy some of the audience's expectations, and in this broadcasting process, the added value from advertisements brings profit.

A: 积攒观众人群，根据固定听众数量广告商进行投入分成？

A: So, to develop the audience base first, and the advertisers invest proportion to the steady number of audiences?

B: 对。但是自媒体出来后，大家发现可以通过其他渠道收听，以前电台的独家性和特殊性已经不存在了。网络电台和特定播放平台更新音乐的速度超过了传统电台，那么，电台的优势就进一步消失了。现在的音乐电台更多是具有伴随属性，通过满足观众日常的收听习惯而不是把音乐作为一手资源(新闻资源)的传播，这是电台现在的问题。我们自己主持人也尝试网络直播，满足了观众需求的各种内容形式，但是其实是个灰色地带，因为播出资源其实是没有网络相关授权的。电台的营收模式可以跟电视台比较，电视剧和音乐其实本质上比较相像但电视剧是可以产生购买消费的。不同的是音乐产业中，电台

是不会买你的音乐产品来播放的，也不存在首播什么概念，基于两个产业的模式的不同。

数字音乐的来源渠道更加松散、不规范。

B: Yes. But since the advent of self-media, people find other channels to listen to music. This results in the exclusivity and distinctiveness of radio stations being considerably downplayed. Online radio broadcasters and broadcasting platforms update music programs more quickly than traditional radio programs. These further puts traditions radio programs in a disadvantaged position. Radio broadcasters nowadays provide music in a way that accompanies the audience in everyday life in line with their habits and preference, rather than broadcast music as a first-hand resource like news reports. This is what confronts traditional radio programs. Our broadcasters also do live webcast, which has met the audience's expectations for music in various forms. But this is a grey area, as the resources we broadcast are not properly authorised. The profit model of a radio station program is comparable to that of a TV program. TV programs and music are very much alike by nature, but TV programs can lead to paid consumption. The difference is that in the music industry, radio stations don't purchase music works for broadcasting, and there is no such concept as the premiere. Because of the different models the two industries apply, the sources of Digital Music are more unruly and unruled.

A: 视频产业和数字音乐从知识产权角度上面讲其实性质是相似的，但是由于视频和音乐对人感官刺激效果不同，并且在最初产业诞生时有没有建立消费者良好的消费意识，造就了数字影视产业已经开始盈利但是数字音乐还是停滞不前。

A: Both the video industry and Digital Music Industry involve intellectual property, but because one offers visual pleasure and the other one offers aural pleasure, and the Digital Music Industry didn't properly develop users' consumption awareness at the initial stage, the digital video

industry has started to profit whereas the situation in Digital Music to the contrary.

B 虽然说从长远的角度来说，应该是可以的，但是并不就是像视频收费那么容易。在中国人们对于音乐文化的消费是没有这个习惯和意识。现在要培养这种意识的时候需要用一些无所不用其极的一些方法。打个比方，某某明星我只有这一个渠道，你要还是不要，但是这个明星也要评估我有没有达到这样的一种体量级或者模式，但是不排除现在的还有一些玩法，也是音乐产业的一种外延很衍生产品有关联的，比如视频，live show，fans meeting，这都是尝试，发展音乐的衍生产品。回到产业角度上来讲，从顶端到终端都没有一个明晰的方向，没有太好的方式了获得收益。比如播放器平台运营，都是以积累用户为主。比如潘多拉，大家认为这个模式可以在中国成功复制。但是通过虾米、QQ 看起来，目前的模式对音乐作品产生本身能够产生什么受益是看不到的。但是以后就说不定了，比如 car play 这方面一直是广播平台的主要用户。比如我要听泰勒斯威夫特的新歌，怎么跟我们电台产生关联？比如我首播，在播出加入评点元素或者一些新的推荐模式，那么听众会不会来购买？这个受益怎么划分？这个没有明晰。

B: It's still possible for the Digital Music Industry to be profitable in the long run, yet a paid consumption mechanism for Digital Music may not be as easily implemented like that in the digital video industry. Consumers in China have not yet developed the awareness and habit of spending money on music, so we sometimes may have to resort to some extreme measures to develop users' consumption awareness. For example, we may limit users' access to a singer's music works to one platform. In other words, if you want to listen to these songs, you will have to pay for access to this platform. This also points to whether this singer is popular enough for users to value. There are also other attempts to cultivate paid consumption of music, which are often music derivatives in the forms of video, live show, fans meeting, and so forth. As far as

industrial development is concerned, there has not yet been a clear pathway and a good profit model for the development of music derivatives regardless of high-end or low-end products. For example, the business model of all music player platforms centres on accumulating users, and the model Pandora follows was once assumed to be feasible in China, but we see a dim prospect of this model leading to profit after some attempts by the Xiami Music and QQ Music. But this doesn't mean making a profit is not possible in the future. Car-play offers a great opportunity as it has a massive user base for radio programs. Think about this: how can we make a connection between Taylor Swift's new songs with radio stations if we know these songs appeal to the audience? Also, in the premiere of a music program on the radio, can we enrich the program with interesting comments or some novel music recommendation mechanism? If we make such an effort, would the audience like to pay for these radio programs? If so, how will stakeholders share the profit? All these issues remain in the air.

A:电台以后透过首发、推广、点评,进行收费,也通过收听率带来数据采集。您是这个意思吗?

A: Just to make sure I've understood you, do you mean that radio stations can charge the audience by producing premiere, upgrading music programs with worthy comments, and they can also collect data through audience ratings?

B: 就音乐电台而言,以后的收入更多的还是来源于个体。以前北京电台的一个主持,有待,他很厉害,他跟上下游的关系推广音乐作品来有可能产生盈利模式,但是局限性还是很大。蜻蜓 FM 提供给我了一个数据,播客在平台上的收入是 1400 块,有 10 到 15 个是月收入过 10 万的,15 个人里面,有一半以上是历史军事节目的,音乐类型节目没有。所以,这个证明就广播而言音乐不是一个有强烈需求的资源。

B: as far as radio programs of music are concerned, profit will mostly come from individuals.

There was a brilliant broadcaster, Mr Youdai Zhang, who worked for a radio station in Beijing.

He has a well-connected network with the music industry, and this is likely to bring about profit when he promotes music works on the radio. But the profit may still be limited. The broadcasting platform known as Dragonfly FM has provided me with the following data: their podcasters' monthly income on average is RMB1400; 10 to 15 podcasters are earning over RMB100,000 a month, and half of these 15 podcasters are on history and military programs. None of them is doing music programs, and this shows music is not very popular on the radio.

A: 音乐传播的模式不具有独属性, 跟 MTV 很相似都很少有独家渠道。就媒体属性而言, 大家的营收都是围绕音乐。能够产生经济增长点的, 无外乎音乐其他方式的表现和衍生产品。

国外的部分的电台直播网络直播, 有转播有收费, 你怎么看。

A: When it comes to sharing music, there is no exclusive channel, like MTV. Profit in this industry often comes from trading products generated by music. The main sources of profit are largely the different forms in which music is performed and other derivatives. Some radio stations overseas broadcast online live music shows and rebroadcast, for which the audience needs to pay to get access. What do you think about this?

B: 客观的来讲的话作为音乐的延伸产品。跟你的市场培育的有关联。在中国能做这种模式的还是比较少的。而且由于中国人对数字音乐没有消费习惯, 比如我们尝试十年的格莱美转播,但是一直无法产生客观的收益。甚至找广告客户都很困难。广播的特点很明显, 他需要持续性。那么能不能从用户里面拿到收费呢? 也不能, 广播没有优势, 看不到, 只能听, 大家没有这个习惯。就像昨天乐视也转播了格莱美, 会员都可以看的。其他人,

要之后才能看。 这个模式还是在于增加客户群体,还是做公共资源处理.

B: To be fair, whether we can profit from these music derivatives depends on the market concerned. This model rarely gains success in China, as Chinese people have not been used to paying for Digital Music. We've been rebroadcasting the Grammys for a decade with little real profit coming in. It's even difficult to find advertising partners. Radio broadcast has its distinct feature; it needs sustainability. Can we charge the audience? Hardly, because radio broadcasts don't have much advantage. Radio programs only allow the audience to listen rather than watch, but people are not used to spending money on a program they can only listen to. Here's a profit model in practice. Letv rebroadcast the Grammy yesterday, and only its members have immediate access to the show. Non-members would have to wait some time to gain access. For this model to profit, we must increase the number of users, and it comes down to managing public resources.

A: 直播这种还是属于额外福利,因为在中国有太多的免费渠道获得相关资源,只是需要一点时间.就像,我是否付钱,差异并不大,这是不是国家对于版权和知识产权的保护的法律缺乏?

A: Live broadcast seems to remain a fringe benefit, as there are so many channels free of charge where we can gain access to the resources we want. It just takes a bit more time. So, whether users pay or not doesn't seem to make much difference. Does this mirror the government's lack of legal protection for copyright and intellectual property?

B: 应该说是没有支持,我认为版权管理应该严苛一些,传播渠道平台更加规范.比如我是流行电台,你唱片公司给我授权的时候,一般歌曲我只能播两年,再播,我要续签,才是正常的.如果我是老歌电台,我就完全不去碰现在的流行歌.但是大家都能随时听,

为什么要听我的呢？我觉得可以换一个思路去想这个事情。

B: As a matter of fact, there's almost no support from the government on this matter. I think regulations on copyright should be stricter, and better industry norms should be applied to platforms that share resources. For example, if a radio platform that broadcasts popular music has purchased some songs from a record company, it should only have the right to broadcast these songs up to 2 years and renew the contract with the record company beyond that. For a radio platform that only broadcasts old-time songs, it can just leave aside new songs in fashion. If people have access to all songs, why would they choose a platform? I think we need to think about this from a different perspective.

A:你的意思是下载渠道太多，本身又没有法律法规限制，也无从具体限制。

A: Do you mean that we have too many channels to download, and these are not properly and can hardly be regulated by law?

B 国家管的事情，我认为应该从版权本身来管，进入到电台领域的的话的，我觉得可能还是要行业法规来规范。比如交通信息也是公共资源，这几年交通信息发展最快，因为是经授权的独家广播渠道和平台，那么这样的产业模式就变的有经济价值了。并且跟 APP 捆绑起来一起发展。但是如果各家都有，那就很难产生什么价值了。数字音乐价值对于电台而讲，搞来搞去只剩下点歌了。

B: To me, what the government can regulate is the issue of copyright. If we are talking about radio programs, I think what we need is industry norms. For example, traffic information is also a public resource, and these years have seen a rapid development of traffic information broadcasts. This is because some platforms are authorised to be the exclusive provider of this type of broadcast, and this model has successfully created commercial value and led to further

development when combined with the app. If it's made available to all platforms to broadcast, there would hardly be any value. The value of Digital Music is diluted when there's no such industry norm in place for radio programs, and what radio programs do would be simply playing songs on air requested by the audience.

A 消费的是点歌行为呢还是这首歌呢？

A: So, what is it that is paid for, the act of requesting the song, or the song per se?

B: 点歌创造价值的不是音乐本身而是这种消费模式。你消费的是点歌，不是这首歌。这个腾讯、虾米也都可以做，还是能够产生经济价值的，但是能有多大规模，没有办法评价。说直接点，就是音乐本身，目前在中国的商业价值无法体现。等音乐本体有价值了，我们作为传播者，才能获得受益。

B: The value created by song requests comes from the act instead of music. What is consumed in the act of requesting a song, not the song itself. The QQ Music and Xiami Music can also provide music programs for audiences' song requests, and it is profitable, only that it's hard to say how large the scale would be. To put it bluntly, the commercial value of music in China is not yet able to be realised. Only after music per se gains tangible value can we as broadcasters' profit.

Interview 3. (16 Feb. 2016)

A: 您怎么看待最近中国数字音乐发展情况?

A: What would you say about the recent development of the Digital Music Industry in China?

B: 最近数字音乐各个平台已经成规模了，整个规模已经形成了，QQ 是老大，但是阿里也比较认清自己的地位，不拼用户，另辟蹊径，刚刚把 SM 入股。我觉得阿里的发展、风格跟 QQ 不一样，个人感觉 QQ 更像山寨公司，阿里更像投机者，阿里本身马云嘛，好似投机倒把这种方式来发家的一个人。

B: Recently, we've seen a rapid development of Digital Music platforms, and an industry has taken shape. Among them, QQ Music is a leading player. The Ali Music is aware of where it currently stands in the industry, so Ali doesn't put that much effort in accumulating users, but rather, it has blazed another trail by buying a share of SM. I think the development strategy of Ali is very different from that of QQ. QQ acts like a copycat, whereas Ali is more like a speculator. Understandably, its founder Mr Yun Ma has always been a speculator in his career development.

A: 是不是可以理解为 QQ 已经有了大量版权和一定用户基础，阿里音乐更倾向于从源头入手，其次通过购买方式和支付方式入手，因为大家习惯用淘宝来买东西，是不是也会习惯用淘宝买音乐？

A: May I put it this way: QQ has already obtained massive copyrights and a relatively substantial user base, and Ali tends to pay more attention to the fountainhead and how purchase and payment are made, because people are used to buying things on Taobao, and then perhaps people may get used to buying music on Taobao as well?

B: 我看来阿里做的事情对音乐本身的推动更大一些，因为 QQ 把版权买回来，用绿钻的方式销售音乐。这并不一定对音乐人是好事，因为他服务和音乐捏到一起了，捆绑销售，

势必贬值。而且大家都觉得音乐应该是公共资源，老天给我们的东西不收费，我听是看得起你哟。但是阿里现在是把音乐分类销售，我觉得更适合音乐以后的发展。比如收费的一个模式是我喜欢的类型，我就花点小钱，我就只听这部分。比如民谣、摇滚，我就只听这部分。因为音乐太多了，再喜欢音乐的人，也只用听到小部分。其他的可能听到了也不过脑子，并不是他真正想他听到的东西。

B: From the way I see it, what Ali is doing makes a bigger contribution to the development of the Digital Music Industry. QQ purchases copyrights and provide users with access to music at the price of a certain amount of green diamonds (a virtual currency used on QQ platforms). This may not be in the interests of musicians, because QQ integrates services with music, which is bound to devalue music. What's more, people think music should be a public resource and should be made available free of charge. Against this mindset, it would be like doing some sort of favour if I as a user, listens to the music you offer. But what Ali does is it categorises music and sells access to music works by category. I believe this helps develop the music industry. For instance, if there is a group of songs I particularly like, for which I need to pay if I want to listen, and I only prefer a style such as folk music or rock. There are so many styles and categories of music that even a music enthusiast could only expose him/herself to a small portion of them. The user may turn on the music player to receive other types of music, but those songs perhaps pass by, as these are not what the user wholeheartedly desires.

A: 是不是如果这个方法其实跟 QQ 音乐的绿钻收费还是有一点相似的，就是提供一种服务，就像绿钻目的是：首先可以听高品质的音乐，特定的只能听不能下载，除非绿钻用户才可以。

A: Is this model like the model used by QQ, which provides a kind of service in exchange for

green diamonds? Just as what paying by green diamonds offers: all users can gain access to high-quality music, and for a collection of songs, users can only listen online and cannot download except the green diamond members.

B: 对, 但是 QQ 本身做的分类太差了。

B: Precisely, but the categories QQ produced are awful.

A: 这个倒是。

A: Well, yeah.

B: 真的是太差了, 更别说酷狗了, 酷狗就完全没有分类, 就是当作播放器。说实话, 阿里包括虾米做得也不咋地, 但是网页版做的分类和精选集我觉得做到非常好, 虾米是针对高品质用户才做到这一点的。听音乐的是大众, 但是做音乐的人绝对是高品质的用户的。这方面的人不去尊重他的话呢, 你的软件是做不好的。

B: QQ's categories are awful, but KuGou is even worse. It doesn't even has categories. It's just a music player. To be honest, Ali and Xiami's are not much better, but the categories and omnibuses on their websites are brilliant. Xiami produced these to satisfy those users with good taste. The public may just be plain listeners to music, but those who produce music works do have a good eye for high-quality music. A music app or software would not go very far if these musicians were not respectfully valued.

A: 您的意思是对于音乐对播放器或者平台, 在运营上面必须要有一定音乐鉴赏能力的人, 对他进行规划。要不然收听群众无法直接享受到服务, 为什么我想找歌时我只能通过我本身的认知来, 你的服务器对我本身没有太多作用。比如我想听古典的, 我却在古典里听到摇滚。

A: So, you mean that music players or platforms should have a professional team for producing

these categories of music works; otherwise, the audience could hardly enjoy the music-centred service? Why should users only depend on their knowledge and perception of music in the process of finding songs to their taste while the music platform plays little role in this? For example, when I want to enjoy some classical music, I surprisingly got rock music in the category.

B: 对, 比如说我问很多人用什么音乐软件, 都说等会, 我看一下啊。没有意识到买手机自带的。他是买手机的时候捆绑的, 他没意识到去体验软件好不好用, 或者是这有什么歌, 这是什么歌, 除非是突然发现这首歌没有才会想到这个是 QQ 没有版权, 这个是阿里没有版权。后来才会意识到这一点, 可能需要人去引导。

B: Yeah. When I ask people what music app you are using on your phone, almost all would say “Oh wait a sec, let me see”. People are rarely aware that the music app they are using is pre-set on their phone. The app is provided when they buy the phone in the first place, and it hasn’t occurred to them that they should have a trial experience to see if this app is good for them, or what collections of music the app offers. It seems that people don’t pay attention to these issues until unexpectedly they couldn’t find a particular song in the app. Only in such circumstances would people realise that this app, e.g., QQ or Ali, doesn’t have the copyright. People need to be guided.

A: 那是不是可以理解为大部分人没有意识到数字音乐这个词, 他没有特别具体需求, 自然而然就不会产生消费的念头?

A: So, does it mean most people are not yet aware of the concept of Digital Music? People don’t have particular needs for Digital Music, and therefore the idea of music consumption is new to them.

B: 我觉得绝大部分人都可能没有听过有数字音乐这个词, 没有这个概念, 可能就是音乐.

B: I suppose it's likely that the majority of people have not heard this concept. They probably only have the concept of music.

A: 就没有这个概念。对音乐理解而言就是 CD ， 歌嘛。

A: So basically, people are not aware of what Digital Music is. What music to them is probably in the form of CD, or songs.

B: 对，就一个字，歌。所以全民意识没有跟上，现在对于版权来说，可能这样大范围的圈用户也不对，可能不是个坏事。但是对音乐来说可能伤害太大。我个人觉得，要达到一个目的就要从源头上完全锁紧。比如说现在就是不花钱听不到歌了，那对很多人来说，要么找盗版，要么我不听歌了，要么找公共资源来听歌。这部分人其实不是很喜欢音乐的人，那为什么一定要勉强他去听歌呢？但是我去花钱听，就花十块，一个月听了一百块钱，买所有浏览器的歌曲来听，但是我可能十分之一都听不到。与其这样，我们还不如把他分开，我今天花 5 块钱，我只能民谣，或者只听汪峰的，购买某人的所有的版权这样更好。所以我觉得分类可能更好。比如以前谁不让在武汉的公交车上抽烟呀，现在谁在公交车上抽烟啊？都是通过法律法规来规定的。

B: Exactly, songs. People are not yet aware of Digital Music. When copyrights are not properly obtained, perhaps it is not right for music platforms to attract a massive number of users either. It's not that it's a bad thing to do, but it's harmful to the development of the music industry. Personally, I believe we should regulate the industry at the fountainhead for development in the long run. For example, we may put forward measures to ensure that users cannot get access to songs if they don't pay. For many users, the alternatives would be looking for pirated music, or completely giving up music, or finding certain access to music that is made available to the public. Users who resort to these alternatives are not real music fans, then why should we push

them to listen to music? If I pay RMB10 for music access on one platform, it may cost me about RMB100 a month to purchase access to music on all major platforms, yet I probably end up with having listened to less than 10% of the collections to which I have access. So, if we know about this, why not separate the cost, e.g. I pay RMB5 today for access to folk songs only, or to songs by Wang Feng. It's perhaps even better to purchase all copyrights of songs by a particular singer. That's why I think it's better if we properly categorise music. Think about the prohibition of smoking on the bus. Now in Wuhan, no one smokes a cigarette on the bus, as opposed to the situation in the past. We need laws and regulations.

A: 您的意思就是相对于数字音乐产业而言，宁可前期规矩就严了，损失一部分听众，这部分听众虽然损失了，可能以后还会回来的。只要有这个需求，他还是要付费。现在就是不花钱就听不到音乐。

A: So, your opinion is that for the development of the Digital Music Industry, we would rather apply strict regulations at the early stage at the cost of losing some users. These users may leave but only temporarily and they will come back insofar as they need music consumption. Users have to pay if they want to listen to music.

B: 只能听到其中一部分，不是在免费给你听了。但这是对一个产业比较长远的看法，但对于现在唱片公司、平台赚钱都很难，不赚钱、不赚吆喝谁做呀，必须占一个啊。

B: We make only some music accessible, but not all free to listen. This is for the long-term development of the industry. Nowadays, it is already difficult for record companies and music platforms to make a profit. No one would do it if you can neither make a profit nor make a name. There has to be something in return.

A: 现在本身大的竞争比较激烈，大家都在抢用户，谁开始这个行为，谁就会损失用户。

那你的用户就流失到其他的平台去了。

A: It's a very competitive industry, and all platforms are scrambling for users. Who starts to implement this strategy who will lose users first, and your users would leave for other platforms?

B: 对,可能独树一家的时候,可能会好点。不过中国目前不可能有一家来统一这个东西。

B: Yeah. It may be better if there is one influential player who can lead a collective action. But to date, it seems rather unlikely in China.

A: 如果国家政府机关规定所有互联网公司,统一都要进行这个策略,没有授权的音乐一律不允许随便,就是从网络源头禁止,一个强制性的规则额,然后再慢慢收费。

A: If government agencies put forward strict regulations, according to which all internet companies must implement this strategy and shall not make music works publicly available without having been authorised. This then deals with the situation at source - a compulsory regulation first, and then charges users step-by-step.

B: 我个人觉得,国家强行短痛一段时间肯定会见效,但是从长远角度看国家肯定不希望这样做的,这样对音乐人和音乐产业带来利益,但是对广大人民群众的文化生活来说,不精彩了,这是国家不愿意看到了,不可能的。

B: I think it would be very effective, only painful in the short term. But the government would certainly not want to see this in the long run, as it brings profit to musicians and the music industry but exerts a negative influence on the culturally rich and varied life of the general public. So, it seems pretty unlikely the government would do so.

A: 就是打消了为民众服务的商家。

A: because it would reduce the number of music providers serving the public.

B: 对,国家怎么可能这样做,只能一步一步来看,有什么事情触动了,再走一点。

B: Yeah. Why would the government do so? So, we have to move forward one step after another.

The government may take some mild action when something triggers it.

A: 这也有我国特殊的国情嘛，以人民为本。

A: This is a special situation we have in China. The government prioritises the interests of the general public.

B: 国外会不会强行这样呢？

B: Is it possible for such compulsory regulations to be implemented overseas?

A: 这就直接涉及到公司的利益，从大体上来说资本主义社会就是资本运作，大公司核心利益遭到损失，政府运作就是大公司交的税。

A: This directly involves the interests of companies. Overall, a capitalist society relies on profitable business operation. It harms the society and the government if big companies lose their core interests and profits, as the government runs depending on the tax's companies pay.

B: 对，国家不会让广场舞大妈没有歌跳舞啊。

B: Yeah, in China the government would ensure there's music which older women can dance to on the square.

A: 你没有授权，你不能播。

A: You can't broadcast music if you are not properly authorised.

B: 所以我觉得中国版权和收费，有个具体什么事情碰一下，就往前走一下。

B: Therefore, I feel that the issue of copyright and paid consumption of music just wouldn't be properly managed if there is no particular matter to stimulate progress.

A: 需要长期的一点一点的慢慢攻克。

A: It's a slow process and takes a rather long time.

B: 对，但是很难，长期以来大家都养习惯了。

B: Yes, and it's so difficult to make progress. People have become accustomed to music free of charge.

A: 就是过程会很长。但是现在的种种行为已经让这个数字音乐产业看到希望。

A: It's just a long journey, but the piecemeal development we've seen has shown promise for the Digital Music Industry.

A: 那你怎么看最近这些互联网企业还有音乐公司对数字音乐行业本身的推动。比如说武汉市的现场音乐秀呀，看到这些商家对这个方面的投入。

A: Then what would you say about the efforts made by internet companies and music companies to develop the industry, such as live music shows in Wuhan and the investment made by these businesses in such events?

B: 我觉得首先从音乐的形式说，是一种比较虚的，不属于很实在的东西，是看得见但并不是摸得着的，不是人必须的，实在的东西，就需要有实在的东西做依托，要有钱，你也必须赚到钱。就像原来原创音乐原来环境差的时候，赚不到钱，干不下去了，就转行了。

B: I think this is just a form, a way music is performed. It's secondary, not primary. It's not something people must-have. If we invest, there should be a financial return. Just as in the old-time when the environment for original music composition was bad, many composers left the industry because they couldn't make a living.

A: 实际上在国内的音乐商业价值很低。

A: Actually, music in China has little commercial value.

B: 很低，很多人觉得可有可无，或者是一种玩物丧志的东西。我觉得公司要做这个东西要赚钱我觉得也没什么，推动来说，我个人觉得没什么价值。

B: Very little. Many deem music as dispensable, or a trivial pleasure that saps one's will. To me, for any company, the product you work on should bring you profit. Besides this, I don't see much point in enhancing the value of music.

A: 即使创造了收益，可能他对音乐本身没有推动。

A: Even though we can make a profit, it doesn't necessarily led to a higher value of music.

B: 有一定的受益，可能会有一些渠道方便用户，看到国外的东西，但是我觉得意义并不大，主要还是应该是赚钱为主。

B: These efforts may help them make a profit and provide more opportunities for users to enjoy music. I've seen how overseas counterparts are doing, but I don't think it makes much sense in our context. I think profit is still what we should prioritise when it comes to doing business in music works.

A: 主要是因为传统价值观对音乐认可并不高，音乐不是那么正经的东西，何况还要去消费他，大众的评价就不高。但近些年有些改变，对于明星效应这方面，但是着也是特定人群，传统价值观根本上对音乐没有那么重视。

A: Our traditional values don't really appreciates music, according to which music is not something decent or respectable. That's why the public is not positive about spending money on music. This situation has changed a bit in recent years, as we've seen paid consumption of music produced by celebrities, but this is still limited to particular groups of consumers. Our traditional values still downplay the value of music.

B: 对，而且与人的感官有一定的关系，没有视觉那么重要。传统观念来看，视觉的更正经，更有价值的东西，更看得见未来有一下。在中国做音乐还是比较要阳春白雪的心态，特别是做音乐。

B: Yes, and this also has something to do with the fact that people appreciate aural and visual enjoyment differently. Many are inclined to think the aural is not as important as the visual. The traditional perspective attaches more value to the visual because people feel what they can see is more real. In China, musicians' sort of has to regard their work as art that is not meant for all to accept.

A: 您用音乐产品主要是哪个方面？

A: What music platforms are you using?

B: 我现在用的平台主要是虾米和 QQ 音乐, QQ 音乐我看重的主要就是他的播放器功能。前段时间在播放器上搜索一个歌曲, 不是这个歌手的, 有很多翻唱的版本, 还有伴奏的版本, 还有混音版本。虾米搜索我自己喜欢的类型有关系。主要集中在虾米上多一些。QQ 主要的播放器, QQ 签的选修协议比较多, 在 QQ 上可以听到。

B: I'm using Xiami Music and QQ Music. I choose QQ Music because it offers various versions of a song. I searched a song on QQ Music just a while ago and there popped up different cover versions, accompaniments and even mixing versions. Xiami Music is good too, as it offers a great range of music styles and I can always find the styles I like. QQ Music has signed contracts with many talents shows so that we can access those music works performed in these shows on QQ.

A: 就是说通过虾米音乐来找你喜欢的音乐, 然后再在 QQ 音乐上播放。

A: So, you use Xiami Music to search for the songs you like, and then find the version you prefer and play it on QQ Music.

B: 虾米可以直接播放, 虾米自身找的很对音乐 QQ 都没有。包括独立音乐人的一些东西, QQ 上没有。QQ 主要作为分享和下载, 比较大众的时代的東西。比如说大王叫我来巡山

呀，选秀歌曲呀。

B: Well, I can directly play songs on Xiami Music too. The real difference between the two is that many songs on Xiami are not available on QQ, such as some works produced by independent musicians. QQ Music serves as a platform for sharing and downloading those popular songs such as The King Demands My Patrol and those songs performed in talent shows.

A: 相当于是说，QQ 音乐更有时代感一些。音乐前沿的更新速度快，因为他本身也有版权呀和其他合作方面的东西。

A: So, does it suggest that QQ Music is more keeping abreast of our times, it updates music more quickly as it owns lots of copyrights and is in partnership with many music providers?

B: 我觉得他不是音乐前沿，就是版权，就是大、多。大众代表不了前沿，前沿的话，不如一些比较小众的音乐软件什么。好像有一个正在直播吧，网络直播 LIVE。

B: I wouldn't say QQ Music is on the frontier. It just owns copyrights, many copyrights, so it has a large collection of songs. But this doesn't mean it has the leading edge if we compare it with some music apps that serve particular niche groups. I think there's an app called Webcast LIVE?

A: QQ 音乐本身的盈利模式是绿钻，您怎么看虾米？

A: The profit model of QQ Music is based on the use of green diamonds. How do you see Xiami's model?

B: 基于虾米老板的特性，虾米也有会员，据说但是卖得很差，虾米的游戏规则并没有定好，他会员和非会员的差别不大，很多歌曲在购买了 VIP 之后还要在付钱。所以我觉得虾米的游戏规则并不好。但是我觉得他基于淘宝特性来说支持原创音乐人直接勾连的平台这个还是不错的，区分于 QQ 的大品牌。

B: Xiami Music also has its membership system, but I've heard that it's not that popular. Their profit model is faulted in the sense that there's not much difference between the benefits for its members and non-member users. Users are asked to pay for many songs even after they have paid for membership and become VIP.

A: 集团捆绑性销售。

A: Bundle sales.

B 对，捆绑性销售，这肯定是个很不错的路子，但是从整体上销售和盈利来说肯定不如 QQ 音乐。如果虾米一直抱有这个想法来说也并不是抱有这种一直做小品牌的姿态，有大公司背景的。

B: Yes, bundle sales. This is surely a good model, but it's not going to surpass QQ Music in terms of sales and profit overall. If Xiami Music continues to hold onto this idea, it shows its ambition for brand development.

A: 因为虾米的初衷是效仿国外的 brandpage，互相的音乐交流的一个渠道，跟 QQ 音乐一开始就是提供音乐的，而虾米一开始初衷是音乐人互通交流的一种社交软件。所以现在他增加了他的大老板的，以后和阿里的合作，那他的支付渠道也会越来越方便。

A: This is because Xiami was created originally following the example of the Brand page, a platform for sharing music, rather than providing music as what QQ Music is for. Xiami was developed for musicians' networking in the first place. Now Xiami has also expanded its vision to be ready to partner with Ali, which will make a payment on Xiami more convenient.

B: 虾米其实最开始就是有淘宝的影子，虾米的创始人全部的从淘宝找来的，向马涛天涯都是从淘宝找过来的，他们就已经有这种基因了，我觉得被淘宝收购是个必然。

B: From the outset, Xiami was developed following the track of Taobao. The founders of Xiami

all once worked for Taobao such as Ma Tao and Tian Ya. It's always been in the shadow of how Taobao operates, so I'm not surprised to see Xiami end up being acquired by Taobao.

A: 就相当于一开始就像淘宝的子公司。就是他们的经营方式，他们的理念都是电商的。

A: It's like a subsidiary of Taobao from the very start. The way it does business, and its philosophy are very much the same as that of e-businesses.

B: 他们最初的目的就的电商。但是我有点不太理解的就是虾米其实有很大的戏院，可以做音乐周边产品，但是就没有做，很任性。

B: Indeed, their original intention was to create an e-business. What I don't really understand is why Xiami has a big theatre that is perfect for producing music derivatives, yet it has never progressed into this territory. Wilful, isn't it?

A: 就相当于国内的有些做音乐的人还是比较高傲的。对自己的定位很高，虽然对受众群体没有太多的想法，但我的音乐作品就是做给有品味的人的。

A: This is a bit like some musicians in China. They are proud and think highly of their music works. They don't think much about the audience but believe their works are done for those with a good taste for music.

B: 对，像淘宝就喜欢虾米，因为虾米网页很干净，但如果真的从公司来说的话他们完全可以在虾米个人链接到淘宝上，我想应该会买的不错。但我不知道以后到底会不会这样做。

B: Yeah. Taobao particularly appreciates Xiami, as it has a neat website. If Taobao links with Xiami accounts, I suppose there would be a boost to sales, but I don't know whether they will actually do this.

A: 这个就像 YouTube 做了一个很重要的决定，收购了嵌入音乐信息软件公司，包括下载

连接，艺人所有的资料，歌曲，甚至还有 ITUMES 的下载链接，付费的 CD 唱片做了一个链接，嵌入到各大平台，就是你只要点开这个名字就弹出这个插件公司。这对于 YouTube 重要的，因为他的功能性非常强，对粉丝来说很直观，我不需要再去搜索再去找音乐相关的任何东西，直接一点开就知道我想买什么了，那里都有。

A: This is similar to the important decision YouTube has made. YouTube acquired some software companies that have music-centred information and linked all this information to YouTube, including download links, singers' profiles, collections of songs, and even the download links on ITUNES. They develop a link for a CD record that needs paid for and embed the link onto several major platforms. Once the user clicks on the name of the record, all information related to the music would pop up. This is important to YouTube, as it has enhanced its functions and made it easier for fans to decide what exactly they want to purchase because it's got everything relevant to particular music works ready on the platform and spares consumers from a number of searches here and there.

B: 我个人预感，淘宝、虾米可能会往这走，但是能怎么样，我不知道，这还需要大家认可和捧场。这肯定是很好的方向。

B: I just have a hunch that Taobao and Xiami might turn to this path, but I'm not sure how it would turn out. This needs the public's recognition and support, but it's certainly a good way to go.

A: 目前国内形势怎么看？

A: How do you find the situation in China?

B: 在我看来我更看好阿里这边的发展，因为我没有看到 QQ 音乐没有什么新的突破或者作为。

B: I would say Ali shows better development potential because I haven't seen any breakthrough or achievement made by QQ Music.

A: QQ 音乐最近搞了个 music plus, 还有巨星定制计划, 选了一些比较有代表性的明星, 比如王力宏, 他跟 QQ 合作了以后他就提供这个纯粹的巨星定制服务, 包括这个独家首发, 专辑发行, 独家音乐会, 俱乐部, 粉丝特权。

A: QQ Music has recently developed Music plus and the Celebrity Customized Package. They select some celebrities representative of the cohort such as Leehom Wang. Once Leehom's partnership with QQ Music begins, he will provide this celebrity customised services including exclusive release of his music works, album release, exclusive concerts, clubs, and fans privileges.

B: 他们只是在网络上控制, 我觉得少了些能够做大的关键。这也还是基于集团 CEO 的风格。点子特别多。他公司的员工可能都是基于这一种。比如 QPLAY 这种项目与亚马逊的多层次销售策略相似, 它们都旨在通过提供其市场来促进客户与客户之间的互动, 该市场充当促进消费者与消费者交易的中介。我们直接学习过来就好了。

B: They only manage these online. I feel they have missed out the key to develop this into a big success. So far, it's still been mainly following the style of QQ's CEO, who and his team members have always come up with many creative ideas. Play is like a multi-level sales strategy from Amazon, they both aim to facilitate customer to customer with the provision of its marketplace which acts as an intermediary to facilitate consumer to consumer transactions. Let's just learn directly.

A: QQ 用意核心就是扩大我们的用户群体, 一旦我拥有了用户基础, 我扩展任何一种周边产业, 他都是捆绑式的, 像是我已经把这个产品强效的嵌入了你的生活当中。集合在

一起你就离不开他，你为了方便而言，你就会选择我的产品。

A: QQ's core aim is to expand its user base. Once they have developed a large user base, any music derivative they produce is part of bundle sales. If they make a product part of users' life without giving users a chance to negotiate, users will choose this product for the sake of convenience.

B: 所以我感觉就是认识些朋友觉得 QQ 音乐工作人没有在阿里这边累。

B: I know some friends who work for QQ, and I feel that their workload is not as heavy as that in Ali.

A: 最关键的其实也是中国没有具体的一种盈利模式，现在大家都没有盈利模式，无非就做两点。买版权，然后巩固用户基础，而在巩固用户基础的方面，QQ 音乐确实有得天独厚的基础优势，就是任何东西你都跟他比不了。

A: The crux of the matter is that there's no definite profit model in China. None of us has that, so we all do two things - buy copyrights and then develop a solid user base. Speaking of the user base, QQ Music has indeed enjoyed an exceptional advantage, and no other company can compete on that.

B: 他就是一个用户基数太大，QQ 一个微信，他们的基数做什么都可以，但是阿里想做什么就比较危险些。

B: QQ Music has massive users because of the user base provided by QQ and WeChat. This huge user base has offered them so many options for doing business, but Ali doesn't have this resource.

A: 竞争对手的优点实在是太强势了，你无法抗衡。

A: One can hardly compete when the competitor has got such a superior advantage.

B: 块太足没办法，只能用特技了。

B: Perhaps they can only resort to stunts.

A: 所以说如果希望有好的商业模式的话就能改善这一点。

A: If there's a good business model, perhaps this situation could be changed.

B: 对

B: Yes.

A: 但是好的商业模式大家也没办法预计多少年后会不会有。

A: But there's no way we can tell whether there would be a good business model and when.

B: 在这个行业里出一些新奇的东西不一定有效，但可能会有一些小波澜的，有一些新奇特的东西出现在那里，不管是推动还是不好的，但是这都他们还是需要的。

B: In this industry, new-fangled would not necessarily lead to profit, although they may attract some attention for a while. Regardless of them being good or not, these are needed.

A: 所以说在您看来是不是就是说，要改变中国这部分的数字音乐市场的话，一方面是政策相关的引导，就是国家政府，不管他会不会做这个规定，他是有这个直接的影响力，最直观的。其次呢，就是在于这个新兴的科技上面，比如说突破性的技术，也有可能改变目前的中国数字音乐的格局。

A: So, from your perspective, do you think that to change the current situation. First, we need the government's policies to direct the Digital Music Industry, as official policies are highly influential, and the second antidote lies in emerging technologies which may bring about some breakthroughs?

B: 但是你说的是改变，但我们的改变，是往哪个方向改变，就是什么样才是好的，这个问题我觉得每个人想的不同，对于大众来说，我很方便的听首歌并且不用钱。没有任何

限制，不好听就换，对他们来说是这样，对于经济公司来说我们赚不到钱，对于写歌的人说，这样要维持我的生活这是最低的要求，所以说往好的方向发展到底是要满足谁。这个也不好说。我觉得最理想状态是，国家出钱把音乐人养着，全民都能免费听到歌，国家跟你买了大家听，但是不可能。到底什么才是好，往哪个方向去改变，也说不定。

B: Well, what you are talking about is change, but the thing is that what kind of change is good can be different in different eyes. To the general public, what's good for them is free of charge consumption of music with convenient and unrestricted access, whereas this results in no profit for brokerage firms and music composers. So, it really depends on whom we want this change to benefit. What seems to be good for all would-be musicians are paid for their works by the government, and thus the public could have free access to music. But this is a bit like utopia. So, it's really hard to say what kind of change there should be.

A: 这这也是一个有意思的方面，中国的数字音乐充满了的变数无法预测。

A: This is also an interesting point, as the development of the Digital Music Industry in China is subject to so many possibilities.

B: 往哪个方面改变才是好，不知道。

B: In which direction the industry should move, we don't know yet.

A: 那最后总结一下，那就是因您个人而已，您对中国数字音乐，最期望他以后发生什么样的变化，完成什么样的一个状况，比方说达成一个项目，一个运营制度。

A: Briefly, from your standpoint, what kind of change do you expect the industry to experience, such as what kind of operating system you wish to see?

B: 首先我自己是一个音乐人，自己做一点点小音乐嘛，我所希望的达到的就是，我做出来的东西，只要别人听我就有所收益，哪怕是一分钱，也可以，我听 10 次给 1 分钱也是

对我的一种认可。然后我作为一个听众来说，我希望我听到的歌不会太贵。我也希望看到我的听歌他能维持他的基本生活，不说发财致富吧，能持续的写他的歌。这就是我比较希望的一种状态。

B: First, as a musician, I would like to see my music works are appreciated with some financial return. It doesn't have to be a lot. It'd be acceptable even if my song were paid for 1 penny broadcast for ten times. Second, as one of the audiences, I hope I would not have to pay a lot for listening to others' music. Yet, the profit from the audience should at least be enough for covering musicians' living costs and sufficient for keeping them to continue their music career. This is what I deem an ideal state of the industry.

A: 也就是简单的说，音乐这个东西他要分类比较具体，要规划到很小的细节。

A: To put it simply, music works need to be put into specific categories and subcategories.

B: 对，但中国人喜欢，打包。

B: Yes. Chinese people like music products clearly and exhaustively categorised, but they also like convenient combo purchase or one-stop shopping.

Interview 4. (17 Feb. 2016)

A: 怎么看待近些年国内的知识产权特别是在数字化版权的发展?

A: What do you think about the development of intellectual property in China, particularly in terms of digital copyright?

B: 因为我涉及的主要是诉讼方面的,我能谈的也是这块的发展,我所接触到的,从 2005 年开始,有数字版权这方面的法律业务,从 05、06 年开始我国兴就起一些的音乐版权,这块就不涉及互联网络的,比如 kit 使用了某些音乐作品的大量的诉讼案件,这是一大类;第二大类就是互联网上的一些影视作品,我代理比较多的是影视作品的,也有一些律师代理的网上的,当时好像有些比较有名的案件是百度侵权音乐作品的案子,也都是有的。我不知道你这块是主要是想了解互联网络的呢还是?

B: I suppose I could only contribute to this discussion from what I've seen in lawsuits, as that's where my expertise is. Lawsuits in digital copyright started from 2005. We've seen some copyright issues in Digital Music since 2005 or 2006, and these are not related to the internet. There are a great number of lawsuits about the disputed use of some music works in KTVs (where people entertain themselves by singing karaoke), for example. The other main category of digital copyright lawsuits is the use of movies and television programs on the internet. As a lawyer, what I've been dealing with the most is these lawsuits. There are also some lawyers working on other kinds of copyright disputes, such as the famous Baidu case where Baidu was accused of infringement of music works. I'm not sure which one of these areas is your interest?

A: 主要是想了解互联网的

A: My main research interest is those related to the internet.

B: 好,那我就说下互联网络的。从最初的时候 06 年那个时候开始,我先谈一下律师跟

著作权人的一种维权方式。

B: All right. I'll talk about this then. I'll first explain how copyright owners work with lawyers to protect their legal rights, which first began in 2006.

A: 好的。

A: Yes, please.

B: 维权方式最初的话呢是采取跟我们律师的一种合作模式呢是：跟律师签订维权协议，他们基本上不出什么费用，或者是他们只出前期的费用，他们负责证明他们是这个作品的著作权人，其他的费用律师来承担。是跟律师形成一种合作模式，这样对于前期版权人的以此扩大著作权人的扩大维权范围是很有帮助的，减少他们的维权成本。作为律师呢，他们是跟全国各地的律师合作在某个区域内寻找一家律师事务所来做独家代理，让律师来进行维权工作。他们这种模式应该是当时最常见的，在 2005 年 06 年的时候。

B: Early on, the way in which copyright owners worked with lawyers was more like a partnership. Specially, the copyright owner signed a contract with the lawyer for copyright protection, either at little cost or paying for the early-stage work only. They needed to provide evidence to prove they should be the owners of the copyright involved, and the lawyer basically bore the rest of the cost. This is a model of partnership between copyright owners and lawyers. It helps copyright owners to maximise the copyright they could be entitled to whilst minimising the cost. Their lawyers would work in partnership with law firms across the country, and in a certain region, they would find a law firm to act as the exclusive agent on a particular case of copyright protection. This model was the most commonly seen in 2005 and 2006.

A: 那当时的法律、法规对于知识产权保护力度是够不够的？

A: Back then, did we have laws and regulations that could effectively protect intellectual

property?

B: 其实我们国家这块的法律法规并不多，一个是著作权法，然后在一个是信息网络传播权管理条例，有一些相关的法规，但是法律还是不健全。因为互联网发展的迅速，实际上在涉及互联网著作权的这个相关案件很多是依据判例，判例就非常重要了。最前期的侵权方式非常简单的，侵权人直接就是网站的所有人，在确认侵权的话就直接在网站的下方就有声明，声明网站的版权是由他所有。侵权模式也简单，就是将影视作品存储到侵权人的服务器当中，作为用户，直接点开他的网页，直接点击这个栏目就可以看到这个影视作品。这是非常直接，也非常容易确认的侵权，很容易就能确定谁是侵权人，他实施了哪些侵权行为。随着 06 年以后大量案例出来以后，慢慢的侵权人就变狡猾了，比如说第一个版权声明方式采取一些其他的方式，跟别人合作呀。像我们之前给别人代理案子实际上网站是另外一家公司的，上面声明的版权人是那家公司，但是这个网站是电信跟他一起合作的，他们是有合作协议的，象这种你怎么去确认这个侵权人是电信还是网站的制作者是侵权人？这个就容易产生法律上的争议。

B: In fact, there haven't been sufficient laws and regulations in China. Basically, what we have in this area are the Copyright Law and the Regulations on Online Information Communication Rights. We do have some laws and regulations, but these are far from being adequate. Due to the rapid growth of the internet, many legal cases concerning online copyright are contingent on judicial precedent. Therefore, judicial precedent becomes critically important here. The way copyrights were infringed early on was actually simple. The infringer was the owner of the website in dispute. There's no doubt. To verify the act of infringement, we could simply look for the statement on the website, which states the infringer's ownership of the website. Back then, movies and TV programs were simply copied on the website's server, and anyone as a user could

open the webpage, and the particular movie or TV program in dispute was just one click away. This early type of infringement and the infringer were easy to identify. Since 2006 we've seen a lot more cases than before, and the infringer has become craftier. The infringer has started to avail of other means, including cooperation with other parties. There's this case we worked on some time ago. The website in dispute belonged to a company, but in fact it involved both this company and China Telecom, as the two companies were in a business partnership. In this case, how could you confirm who is the infringer, China Telecom or this company? This can be controversial.

A: 其实说最早期而言，半官方话的一些网站也涉及到一些侵权方面的业务？

A: In the earliest time, were those websites with some government's involvement in business also involved in some kind of copyright infringement?

B: 对，因为最早在我们国家对这个版权方面的重视是比较薄弱的，大家都觉得吃免费的午餐是一种习惯。

B: Yeah, because back then the government was not well aware of the copyright issues. Everyone thought a free lunch was just a fact of life.

A: 按您刚才说的，对于侵占版权是这么明目张胆的，那你们的维权手段也是比较直接，那么是不是说很容易就维权成功呢？

A: As for that blatant act of copyright infringement, as you mentioned earlier, your approach to protecting the copyright owner's interests is also straightforward. Does this mean it is easy to win these cases?

B: 对，前期的维权相对是比较容易的，很容易确定侵权人，很容易确定侵权行为。这个前期是比较简单的，但是发展到后期，到 08 年的时候，全国各地有大量的知识产权的案

件涌现出来以后，作为侵权人他也在不断的学习，侵权的手法也产生了变化。比如说如何确定侵权行为人的话，他把他做了一个各种方式的转变，比如说直接设立一些空壳公司去开网站，就说是网页的所有人，他实际上是一个真正的网页使用人的话就不以直接的方式出现在网页上面，就说你无法直接通过网页来确认实际侵权人，这就变得比较困难了，那么就涉及很多一些方式，这个时候呢就各我们的地方法院会根据经验总结了一些规律，一些方式，一是从判例中体现出来，第二个是各级法院，比如说是省一级的法院出一些法院内部的指导意见。A: 就是他把他进行归类。

B: Yes. In the earliest time, it was indeed easier to win such cases, as it was easy to identify the infringer and the act of infringement. But with the ever-increasing intellectual copyright cases since around 2008, the infringer has evolved and come up with updated means. For example, the infringer would create a shell company and state that the company is the owner of the website, so the infringer can use the website without explicitly concerning him/herself with the website. This means you couldn't identify the actual infringer by directly examining the website. We've developed some solutions to tackle this difficult situation. For example, local courts have learned some commonly seen acts and patterns of copyright infringement in light of judicial precedents and some judicial guidance from provincial courts.

A: 就是他把他进行归类。

A: So, to develop categories of relevant cases.

B: 对，进行归类总结，对他以后的案件起一个指导性的作用。就有一些指导意见给我们参考，就是我们说的以这种方式补充我们法律的一些欠缺。

B: Yes, to summarise and categorise previous cases, which then guide the court's decisions on future cases. Such guidance is a reference for us, and it helps with the current imperfect legal

system.

A: 那像您说的 05 年到 08 年这个时间段这个侵权人的手段就开始变得复杂了。

A: As you said, the ways of infringement have become more complicated during 2005 and 2008.

B: 对。

B: Yeah.

A: 那国家法律法规有进一步完善吗？

A: Have the relevant laws and regulations been improved?

B: 完善并没有很那个，我们国家毕竟是成文法国家，法律制定了是相对比较稳定的，但是我们有最高人民法院的司法解释作为成文法的补充。再一个就是在知识产权领域体现的特别明显，指导性案例起的作用特别大，每年最高院都会颁布一些当年的十大知识产权案例，这些对其他案件呢。

B: There hasn't been much improvement. The statute law is what we primarily follow in China. Once the law is laid down, it is not really susceptible to change. Having said this, we do have judicial interpretation and explanation made by the [Supreme People's Court](#), to complement the statute law. This serves as particularly important guidance when it comes to intellectual property cases. Every year the [Supreme People's Court](#) promulgates ten intellectual property cases of the year, which are often used as a reference to legal cases in this area.

A: 有参考指导作用。就相当于国家在法律本身就没有太大是在知识产权方面的关注，而是地方法院和其他的这个，通过工作总结进一步完善这个关于处理侵权方面的问题。

A: This basically says that the government per se has not paid great attention to the cases on intellectual property, and it is local courts and other relevant agencies that have been making effort to improve how these cases should be properly dealt with by summarising and building

their experience with such cases.

B: 对, 就提供一些指导性的意见给法院参考, 然后最高院在每年会公布当年十大的知识产权案件, 也是有一些倾向性的意见了, 比如说他公布的这十大案件是他认可的, 判的没有问题的, 这些案件在后期的话就会对其他的案件做一个指导。

B: Yes. Local agencies submit their suggestions to the Supreme People's Court, which then releases ten intellectual property cases of the year. This demonstrates the Supreme People's Court's recognition of the decisions made on these cases, serving as a reference for future cases.

A: 那从 08 年到现在这个又有什么变化呢?

A: Have there been any changes since 2008?

B: 要不我们先说一下刚才说了侵权方式, 那么还有一个侵权行为, 侵权行为他实际上从早期 05、06 年也发生了变化, 最早的话他是直接放自己的服务器上, 然后侵权行为的方式方法上做了一些变化。比如说他不直接放服务器上, 他是做链接, 因为按照我们信息网络传播权的规定的話呢只要权利人发侵权函, 你断开链接就不承担赔偿责任了。所以后期他们做了一些想规避法律责任的一些手法, 就是做一些链接, 链接的方式不同的話呢, 法院在实际审理的时候, 也突破了一些法律规定, 比如法院看是深度链接还是一般链接, 从链接方式不同来判断是故意还是过失侵权, 从这个角度来判断他的主观恶意。

B: Well, we've just talked about the ways of infringement, may I suggest we say a few words about the infringer's behaviour? In fact, their behaviour has also changed since 2005 or 2006. At the outset, the infringer directly put the item in dispute on their server, but over time, we've seen some changes in their behaviour. For example, the infringer would not put it on the server directly, but instead, resort to the means of deep linking. They choose to do deep linking because according to the Regulations on Online Information Communication Rights, provided that the

copyright owner sends over a letter of infringement, once you unlink it, you have no liability for compensation. Therefore, infringers have come up with some tricks to dodge their legal liability, and developing deep links is one of them. Given the different ways of linking, the court would arrive at a rational decision on a case by case basis. For instance, the court would distinguish deep linking from generic linking, and decide whether the act of infringement is intentional or negligent. This is how malice aforethought is judged.

A: 是故意侵权还是一般的。

A: Whether it is an intentional infringement or generic?

B: 对，如果是一般性的就直接断开链接就完了；深度链接他的效益也不是直接的产生，也有可能是通过广告呀，点击率呀等等这种方式。那么深度链接的话呢就比如，有没有对这个影视作品做一个介绍。

B: Yeah, if it's generic, it wouldn't be a big deal, just unlink it. Even for deep linking, profits are not made directly from this. It might be through ads, the hit rate etc. To examine deep linking, we can see whether the infringer has made a briefing about the movie or TV drama concerned.

A: 更有引导性。

A: A leading briefing.

B: 对，引导用户进入这个链接，对影视和音乐作品有一个简介，有一些详细的内容介绍，从这些角度判断已经突破了法律的规定。如果就是一个链接的话呢是不存在法律责任的。

B: Yes. If users are attracted to click on the link where a briefing about the particular movie or TV drama is given to provide detailed content, this would be seen as against the law. If it's just a link, there's no legal liability involved.

A: 就相当于基于这个案例进行补充。

A: It's a compliment to this case.

B: 对，后续的侵权手法不同，他手法在不断的更新，法律没有及时更新，法院就是通关一些判例呀，还有一些指导性的案例呢做了一个补充。就是我刚才说的侵权行为，侵权方式发生了一个变化，就一些都不是链接了，也算是链接的一种，就是做一个窗口，窗口是套上去的，一点开就跳转到一些专用的播放器上。

B: Yeah. Over time, the means by which infringement is made have been constantly updated, but the laws have not. The court makes use of previous representative cases as guidance to complement how the current cases are decided. Back to what I talked about just now, the means of infringement and the infringer's behaviour have changed. We've seen some linking is made, which is not a typical link, but it shares the nature, i.e. a window is made on the webpage and once the user clicks on the window, the user would be directed to some customised video player.

A: 这个阶段而言，因为侵权手段越来越复杂，但是法律法规没有进一步完善，大家还是以案例进行自我补充的，所以是不是现阶段的维权比以前更复杂。

A: Since the means of infringement have become complicated, and the laws and regulations have not been updated to be responsive to these changes, we mainly depend on previous cases as an important legal reference. So, is it more complicated to protect copyright at the moment?

B: 对，难度就会大了很多，因为这样不是象前期那么直观的就可以认定，一看到他网页上的作品就认定为侵权了。通常能不能认定为侵权是有一定争议的，最终还是要看法院的裁判，而且我们国家是二审终结制度，一审的裁判可能还不是最终的结果，可能还要等到二审的结果的确认。所以在这个维权过程中就存在着有不确定性。

B: Yes, it's much more difficult now, as we can't determine the act of infringement as simply as in the past when the infringement was identified as far as we could see the item on the infringer's

website. Usually, in cases where the act of infringement is disputed, we need to see the final judicial decision. In China, a case is finalized through both the first and second instance judicial judgement, so the first instance decision made by the court might not be the final result, as we may still need to see the second instance judgement. So, there is some uncertainty.

A: 那对于在这个阶段而言，您作为专业律师，对当时版权持有人有什么建议帮助版权人维护自己的权益或者更好的手段？

A: So, considering the current circumstances, do you, as an experienced lawyer, have any advice for copyright owners on how to protect their legitimate rights and interests? Or, are there better means of copyright protection you think would be helpful for them?

B: 其实对当时而言版权维权的话，还不是一个积极的，而是被动的维权方式，在发现侵权后制止侵权。

B: Copyright protection is still done in a responsive manner, rather than preventative. What we usually see is to tackle infringement only after the act has been exposed.

A: 就是说由于缺乏明确的法律法规，无法从源头上进行控制。就是从出发点上就无法制止别人侵权。

A: In other words, we can't prevent infringement from the outset, due to a lack of clear laws and regulations.

B: 对，就是在发现侵权后制止侵权，我认为这是知识产权维权的初级阶段。

B: Yeah. We are now only able to respond to infringement rather than prevent it. I think this is the elementary stage of intellectual property protection.

A: 就很被动是吧？

A: Rather passive, isn't it?

B: 对，就是在发现侵权后制止侵权。

B: Exactly.

A: 那 08 年以后有什么变化？

A: How has the situation changed since 2008?

B: 08 年以后是国家司法体制认识的时间，从 08 年以后第一因为前期是比较轰轰烈烈的，这类的案件是大量的涌现，全国各地，特别是互联网络知识产权侵权案件 08 年前大量涌现，但在 08 年以后，也相当于峰值最好值了，案件开始数量下降，这个是有多方面原因的，第一是因为前期的案件法院的保护力度大，那个时候武汉市地区一部影视作品大概判赔 20 万左右，一个网站的量是非常大的，大的运营商的话他的量是非常大的，对侵权人的打击很大，所以那个时候维权效果很好。经过这个维权周期，侵权人的侵权行为就少了很多。因为侵权行为多，案件数量大，后来最高院开始慢慢收紧这类案件，从诉讼方式上，从一起诉讼到分案诉讼，因为量大了之后赔偿数额降低了，一部影视作品 20 万降到 2-3 万，比如说热播剧首播一年内的赔偿额可能在 5 万，超过一定年限赔偿额就逐渐降低了。由于传播途径更多变，音乐作品的赔偿力度和打击力度还要低得多。

B: Since 2008 our judicial system has become better understood. We've seen a rapid increase in the number of such cases nationwide, especially cases on online intellectual property. The year 2008 saw the highest number of these cases, and ever since, the number has been declining. Reasons behind this are multi-faced. The foremost is the greatest support lent by the court for copyright protection up to 2008. Back then, around 200,000 yuan would be decided to compensate the copyright owner for a movie or TV drama in Wuhan. We know a website offers users a great number of video programs, and the number of programs would be even greater on those more popular websites. This means great losses for the infringer if the case is decided in

favour of the copyright owner. That's why copyright protection back then was highly effective. Also, the way lawsuits are made changed, from a collective lawsuit to separate lawsuits. With the ever-increasing number of these cases, the Supreme People's Court has started to become more prudent with these cases, and the amount of compensation has been on the decline, from the previous 200,000 yuan down to the range between 20,000 yuan and 30,000 yuan. For a popular TV drama, the compensation would be about 50,000 yuan within the first year of its premier show, and it would be on a gradual decline beyond this period. There is even less compensation and judicial support for music products due to the more varied ways in which music works are disseminated.

A: 这样细分了之后对版权持有人的切身利益的角度是好还是不好？

A: Do you think ranking compensation in this way is bad for the protection of copyright owners' interests?

B: 这样至少打击了维权律师的积极性，对版权人来说，他肯定希望是一个长期合作一直帮他，对于版权人来说前期成本很低的，他跟律师合作的话基本他前期没有什么费用，一旦有赔偿他就可以获得受益，所以当时有些公司通过这种方式确实获得了一些受益。一方面是获得受益，另一方面一些大的公司还是希望保留这些影视作品。这样就会和版权人一些合作，签协议我一年花多少钱购买你的版权，来播放这些作品。

B: This has at least dampened the lawyers' enthusiasm for these cases. For copyright owners, they surely want a long-term partnership with a lawyer. There's hardly any cost for copyright owners in the early stage of these lawsuits, but once they win the case, there's profit. Some companies indeed made some profit from this before. On the one hand, companies made a profit by getting compensated. On the other hand, some big companies hope to continue to use these

movies and TV dramas. This has led to some business cooperation between copyright owners and the big companies. They would sign a contract on certain payment for purchasing the copyright so as to put these video programs on show.

A: 但这个打击了维权律师的积极性,从另外一方面呢又会使侵权的源头复苏呢? 打击力度下降了, 惩罚力度下降了是不是?

A: But this has hit lawyers' enthusiasm. Does this rekindle infringement, because of less support and compensation?

B: 通过这种方式, 虽然打击力度下降了, 大家也意识到这不是免费的午餐了, 所以大家都知道你要不出事是要有成本的。发现侵权的成本高于合作的成本。

B: Despite less compensation, there's been a better awareness that it would no longer be a free lunch. If you want to continue your business, you have to pay for copyright, and judicial compensation for infringement is much higher than what you'd pay in cooperation with copyright owners.

A: 也就是说着一段时间让大部分侵权人、版权持有人和律师通过法律法规让大家知道长期来看用盗版是比用正版成本要高的。

A: So, during these years, most infringers, copyright owners and lawyers have learnt that for the long run the cost of piracy is higher than that of obtaining copyright.

B: 也不能完全这样说, 作为一些小的侵权人是没有个利益的, 则大的运营商他肯定是一个权衡一个利弊, 才会选择这样的方式, 但是据我所知, 到后期的话以前很多的网站都没有这些影视作品播放了, 网站跟版权人也有一个利益上的博弈, 版权人在我们看来所收的版权费用要比侵权人的费用低很多, 但对侵权人来说这还是有相当高的成本。我们国家目前的互联网上的影视就几家了, 包括地方性的一些运营商, 也都放弃了这一块。

而数字音乐市场目前也是三分天下,当然部分音乐网站还是存在的,就是规模小了很多.

B: Not entirely so. The situation differs when it comes to different infringers. Only those big website operators would weigh the gains and losses in this way. To my knowledge, many websites don't put these movies and TV dramas on show later on, because both websites and copyright owners compete for profit. Although the copyright payment is much lower than the compensation for infringement, it is still costly. There are only a few video website operators in China left including some local operators, as most operators have given up business in this area. The Digital Music Industry is not better. Of course, there are still some music websites, yet on a much smaller scale.

A: 现在影视作品在法律上的不断完善,所以说市场上只剩几大运营商了,其他的公司或者企业从视频和音乐平台都退出了。

A: With laws being ever improved, there have been only a few big operators left in the market. Many companies have dropped out from doing business on video and music platforms.

B: 目的。比如说优酷土豆啊在版权收支上还是巨额亏损的,版权的成本是非常高的。

B: Yeah. Youku and Tudor are good examples. They suffer huge losses due to the extremely high cost of copyright.

A: 也就是说从现在来看版权是很难盈利的,就是从播放影视作品本身和支付买版权上面是很难到达一个平衡的。

A: So, it's rather difficult to make a profit due to the costly copyright. That is, difficult to strike a balance between income from playing movies and TV dramas and copyright expenses.

B: 对,因为之前我也有过跟一些半官方的运营负责人也谈过,前期他们也有跟运营商合作,我们国家版权商没有哪一家可以拿到所有的影视作品版权,被几大家分了,他们拿

到了象 TVB、亚视的版权，但是作为网络运营商只拿到一家，对用户也没有那么大的吸引力，如果是那老片费用较低，拿新片费用还比较高的。用户总看老片也没有什么兴趣了。

B: That's right. I've spoken with directors of some quasi-official operators. They told me that they were once in partnership with some operators, and none of them could ever get the copyright of all movies and TV dramas. Each operator could only get part of them such as TVB and ATV. The problem here is that you can't appeal to the users if you only get partial copyright. The copyright cost of old movies and dramas is lower compared with that of the new, but users would lose interest if all you've got is old-time things.

A: 您从作为律师的角度看版权和授权费用不能达到盈利的目的，他的根源在那里？

A: From the lawyer's perspective, why do you think we could hardly make a profit from selling copyright and obtaining copyright?

B: 从我的角度了解的，可能比较片面。版权都是经过多次倒手的，当时就是级大家把寰亚、亚视等，他们拿到的版权也不是一手的，他们也是经过多收倒卖的。所以他们实际上拿到的版权成本费用也是很高的，而且每个版权也是有期限的。

B: My view may not be all-sided, but what I know is that one often obtains the copyright after it's sold by several hands. This is even true for copyright deals with Media Asia and ATV. This means they all get the copyright at a very high price, and each copyright has an expiry date.

A: 那从这个角度如果法规更明确，版权持有人就不要这些公司，他们自己直接跟视频平台进行直接性的签约，这样对双方会更好。

A: So, if the laws are made more thorough, copyright owners can skip the middleman companies and sign contracts directly with video platforms. This would be better for both parties.

B: 音乐作品我们国家是有一个组织的，但是影视作品是没有集体性组织的，所以缺乏一个集中平台来进行一手交易。我毕竟不是做版权交易这一块的，可能还是有点片面。

B: In China, there is an association of musicians and stake holders in the music industry, but there's no such counterpart for movies and TV dramas. As a result, there's no collective platform for first-hand trading. This not my area of expertise, so my opinions may not be that reliable.

A: 所以说这个版权和最终授权这中间无法产生受益，从大体上来讲，版权多次进行转让以后，每次转让都有一个附加的代理费用，造成视频运营商最终的费用是非常高昂的。

A: So, there would be little profit from trading copyright. Usually, a copyright becomes more costly after each hand, and this eventually leads to an extremely high price for video platform operators to pay.

B: 对，再一个这个跟后来互联网趋势的话，大家已经摒弃掉地方的运营商了，因为我在互联网上看的东西是没有地域化限制的，我可以随意的选择。

B: Exactly. Overtime, people also tend to abandon local operators, as what users watch on the internet is not restricted to one particular area.

A: 全国或者是全球范围。

A: It could be nationwide or worldwide.

B: 对，大家都摒弃掉地方化的运营商了，那么我愿意选择更大的运营商，更有实力的运营商提供的内容更多更丰富。

B: Yeah. Since local operators are not to most people's taste, users are inclined to choose bigger operators which are more able to provide varied content.

A: 还有您先前提到的关于 TV 方面的版权问题我也想了解一下。

A: I would also like to learn more about the copyright issues in Karaoke you mentioned earlier.

B: 关于 TV 方面我有一点了解，没有具体做过。TV 的版权维权模式，跟版权人和律师的合作模式就跟我之前说的一样的，实际上 kit 的维权比影视互联网的维权更早，可能在 03 04 年就开始了。他是最早的作为著作权的维权，他维权的模式是也版权人拿到了一些音乐作品的授权以后就早一些地方性的律师，律师呢就去当地的 KTV 去寻找 KTV 播放的这些作品，看有没有合法授权，没有合法手球队话就通过公证的方式取证，然后获得确认侵权行为的证据，然后再向法院提起诉讼。

B: I have some knowledge of this area, but I haven' t worked on a particular case. The way copyright is protected when it comes to the Karaoke business is similar to that I talked about before. Actually, this is even earlier than copyright protection for movies and TV dramas. It's probably started since 2003 or 2004, and it's the earliest effort to protect copyright in China. After the copyright owner has got the authorization for some music works, he/she would begin working with some local lawyers, who would then go to local KTVs to examine whether these songs have been properly authorized for commercial use. If not, [notary services](#) would be used to collect evidence for confirming the act of copyright infringement, followed by case submission to the court.

A: TV 是个很大娱乐产业。

A: Karaoke is a big entertainment industry.

B: 对，所以当时的冲击是很大的，kit 如果支付这个，营运费用就很大了。后来谈的好像就是根据包房的数量来给你授权，给多少钱。

B: Yes, and that's why Karaoke was seriously hit back then. If a KTV pays for copyright, its business operating cost would be really high. From what I' ve heard, the common deal they arrived at was payment for copyright based on the number of Karaoke rooms.

A: 关于 KTV 的话，因为歌曲的版权人不久更广了吧？还是有音作协统一的？

A: Is the music copyright traded in the same way as movies and TV dramas? Or, is it managed by the China Music Copyright Association?

B: 当时的好像有音著协统一来组织。

B: As I recall, the Association was the organizer back then.

A: 就是由一个组织领头人组织所有的 KTV 进行联系。

A: So, this Association liaised with all KTVs on this matter.

B: 对,应该是这样的，但是具体的案件我没有代理，所有这块的版权人的接触不是很多。你可以跟其他人聊一聊。

B: It's supposed to be so, though I've not got involved in a particular case. You may need to talk to others who have.

A: 最后一个总结性的问题，对于现在而言目前的关于数字化版权方面的国家相关的法律是否有进一步的完善，您对现在的法规有什么看法或者说保护版权持有人而言国家怎样规划相关的法律法规是比较合适的？

A: Coming to the end of our interview, are the laws on digital copyright in China being improved? What are your views on the current laws and regulation we have? Or, how the government should direct the development of relevant laws and regulations to protect the interests of copyright owners?

B: 目前来看，就是我刚刚说的互联网维权的高峰期从 06 年开始到 2010 年到达一个峰值就开始下降了，近几年司法实践当中对于这一块的保护力度没有以前强了，在法律上的更新并不太多。从司法实践来说保护力度是下降了，跟这块的侵权行为显著减少确实有很大关联，另外一方面司法对赔偿数额下降。从二十几万到几千块钱,所以保护力度也是

下降了。

B: The current situation, as I' ve touched upon, is a decline in the number of cases on online copyright protection since the period 2006-2010. Copyright owners have received less support in judicial practice in recent years, and the laws haven' t been updated that much. The less support in judicial practice is largely attributed to the significant drop in the act of infringement. We' ve seen lower and lower amount of compensation decided by the court for copyright infringement, from over 200,000 yuan to a few tens of thousands of yuan, and now even down to a few thousands.

A: 为什么下降幅度会这么快呢？

A: Why so?

B: 因为我们国家司法上面好像都存在一个这样的问题，案件量比较少的时候，法院的判的时候只需要根据他自己当时受理案件的法院他当时认识。

B: The main reason seems to be one that is commonly rooted in our judicial system. When there are only a few cases, the court would decide based on how it perceives the case given the circumstances.

A: 就是直观映像。

A: More of an intuitive impression.

B: 对，直观的做出一个判断，但当这类案件急剧增加时，那么作为法院的考虑裁判是一个居中的。一方面考虑版权人的利益，一方面要考虑侵权人的利益。他要考虑侵权人能否承担费用，考虑侵权人生存的问题，基于这个角度是否要像他倾斜一点。

B: Precisely it is. But when this type of cases rapidly occurs, the court would tend to act more like a middleman, who considers not only the interests of the copyright owner, but also that of

the infringer. The court would consider whether the infringer could bear the damages.

Considering the infringer's need for survival, the court would not hit too hard on this side.

A: 因为案件实在太多了。

A: Because there are just too many cases.

B: 数量太大，金额太大，这样也不利于互联网的发展，对于互联网发展也是一个阻碍。

所以对数额急剧降下来是希望互联网能够对互联网的保护，所以就对侵权方倾斜了。

B: Too many cases and too much compensation would not benefit the internet. It may even impede its growth, so this is all for the sake of nursing the better growth of the internet.

A: 就是说目前角度而言对数字版权保护反而没有的力度强。

A: In other words, protection for digital copyright nowadays is not as strong as it was in the past.

B: 对，但是我觉得中国对这个事情的处理上是呈现一个一松一紧的方式，太松了就要紧一紧，太紧了就松一松。

B: Yeah. But I think the government has been managing this matter in a very flexible manner.

Loosen it when it's too tight and tighten it when it's too loose.

A: 相对而言是不是侵权的案件也越来越少了？

A: Is the number of infringement cases also on the decline?

B: 对，现在的案件也确实通过前期互联网的打击确实起到了规范作用，所以现在互联网侵权也是非常少了，不像以前都是盗版，但是现在来看确实非常少。

B: Yes. The early effort made against infringement was indeed effective, and we've now seen very few cases of online copyright infringement, in contrast with the situation a few years ago.

Interview 5. (17 Feb. 2016)

这些年法律保护走得比较快，知识产权啊著作权啊，法律都有人，具体到每个省，国家知识产权战略都有实质性的东西。司法这几年，专门成立了知识产权法院，立法司法执法都有很大的动作。

Legal protection has developed fast these years, including changes on intellectual property and copyright; specific to each province, the national intellectual property tactic has become substantial. In the past few years, the intellectual property courts have been set up in the judicial field, and legislation and judicial enforcement have made great moves.

法制肯定是有进步，但是人治也很明显，人为因素很大。司法执法层面，相对还是有一定差距。从我们自己来说，国土这么大，不可能统一标准。你提到的尺度的问题，我是做实务的，有一个过程，不是说不保护他，标准降低不是说保护减弱了，那个时候案件少，侵权的多，启动的案件少。那个时候我们告 kit，就告一首歌，十万，已经起到打击力度了。那个时候能挣钱，大家都搞这个。比如一个 kit 一年面临几百件诉讼，诉讼成本很高的。现在这个环境，你还是要促进经济活跃发展，这个平衡不是说只站在知识产权的角度，还有经济发展商业发展的角度。

Legal enforcement is most definitely improving but still ruled by man, and the human factor in the legal system is still huge, which means a certain gap in judicial enforcement still exists. From our own perspective, it is impossible to unify standards for such a large territory. To answer the problem of the scale you mentioned, for I'm a practical person. There is a process, not to say that we don't protect it, and lowering of standards is not to say that the protection is weakened because at that time, there were fewer cases, more infringements, and fewer cases initiated. At that time, we sued KTV for infringement for ten thousand Yuan per song, which was already a

hit that keeps them from doing it again. Everyone was able to make money at that time. For example, a KTV faces hundreds of lawsuits a year, and the cost of litigation is very high. In this environment, you still have to promote the active development of the economy. This balance is not to say that it is only from the perspective of intellectual property rights, but also from the perspective of economic development and business development.

降低赔偿标准，有时候权利人获得的赔偿并没有减少，因为他起诉的变多了。

Lowering the standard of compensation becomes necessary because sometimes the right holder's compensation has not decreased for, he has prosecuted more.

从我个人理解，赔偿额从单个降低，总量没有降低。

From my personal understanding, the amount of compensation has been reduced from a single amount, and the total amount has not been reduced.

你保护知识产权的目的还是为了促进文化的发展，你把市场经营者搞死了，怎么发展？不能只站在自己的立场。

The purpose of protecting intellectual property rights is to promote the development of culture.

I mean, how do you develop if you kill the market operator? You are not in a stand-alone position.

如果我是音乐版权持有人，我面临被多家 TV 或者网站侵权的情况，单一的额度下降，如果告多家，我的维权成本也会增加啊。

If I am the music copyright holder and am facing the infringement of multiple KTVs or websites, and once the single quota is reduced with multiple lawsuits filed, the right-defending costs will naturally increase.

目前的环境来看，版权人从中的获利很小，所以产生了集体管理组织。现在我们有争议的，是这个管理组织到底是做什么的，保护谁的利益，为著作权人创造了多少的价值？

我觉得，远远低于他们为自己组织或者说某些个人创造的价值。

In the current environment, copyright owners have made very little profit, so collective management organisations have emerged. The questions we have now are controversial; such as what exactly is this management organisation? who's interests it protect? how much value has it created for copyright owners? In my opinion, it is far below the value they create for their own organisation or some individuals.

管理好了，侵权就慢慢少了。这个侵权原来是天然存在的，仅仅靠司法手段维权，并不现实，也不经济。

With good management comes less infringement. This infringement turns out to be natural, and it is not realistic or economical to just rely on judicial means to defend rights.

举个例子，你这个组织得到了拥护，司法也可以提高标准，这个不是不能做到的。综合的措施要跟上，诉讼是最后的手段。以前在网络上侵权一部电影，判赔 20 万，可能侵权人的获利是微乎其微的，谁赚钱呢？可能不是著作权人，是律师赚了。

For example, your organisation gains certain support, and justice also raises standards, which is not impossible. Comprehensive measures must keep up, with litigation being the last resort. In the past, infringing the copyright of a movie on the internet can be trailed for a twenty thousand Yuan of compensation fee, so the benefactor of infringement can barely profit. Who gets the money then you might ask, it might not be the copyright owner, It's always the lawyer?

当然也有著作权人获利的，但是总要有个过程。一下子达到欧美的水平，我觉得不可能。

西方的版权法律完善。我们的经营体制，国情，管理源头都不行。

Of course, there are copyright owners who make a profit, but there must always be a process. It is impossible to reach European and American standards all in a sudden. Copyright laws in the

western world are optimised, while the operating system, national condition, and management sources are underdeveloped in China.

首先内部规范管理，让著作权人支持信任管理组织。然后管理组织要积极主动，现在都是通过代理人来管理，我觉得这个有问题，谁授权的？

First of all, we must standardise the internal management system, so that copyright holders can be able to support and trust the management organisations. Then the management organisation should be proactive; now it's often the proxies who are in charge of management, but who exactly authorised them to do so? I think there's something wrong with this.

现在是个草莽阶段，就糊弄，你 ktv 就要给钱我，甚至没有一首歌是音集协的。不管是管理组织或者权利人，首先明确作品是我的，然后要授权，使用我的版权。这才是正常逻辑。现在音集协代理版权人，都不知道哪些作品是自己的，现在好不容易搞清楚了，提供授权，有哪些是你的，要提供对接。

This is a rather chaotic stage, for people can screw around and get paid from KTV, not even a single song belongs to CAVCA. The normal logic being the organisation in charge, or the right owner proves the genuineness of the work and authorise the work through the legal process. Now the CAVCA agents don't even know which ones they are in charge of, which makes it hard to provide authorisation and docking.

Interview 6. (17 Feb. 2016)

数字音乐的管理还是有点混乱的，开始是无人管理，后来是七八个部门争着管理。现在争少了，国家的有关的部门是从拉好处的角度管理，不是从行业发展的角度管理。数字音乐带来的利益，国内之前一直没有意识到，国际唱片协会进入相收费的时候，大家才意识到。我是之前国际唱片协会最高授权的律师之一，他不是想要你赔钱，他是想让你尊重知识产权，尊重著作权人的权益。

The management of Digital Music is still a bit confusing, starting with unmanned management, and later, seven or eight departments are competing for management. Now there is less competition. The relevant departments of the country are managed from the perspective of pulling benefits, not from the perspective of industry development. The benefits brought by Digital Music have never been realised in China before. When the International Recording Association came to want to charge, everyone realised it. I was one of the highest authorised lawyers of the International Recording Association before. The association doesn't want you to lose money but wants you to respect intellectual property rights and the rights of copyright holders.

当时国际唱片协会给了很多钱来做启动，后来损失比较大。他启动后，就被国内的行业主管部门抢走了，他就是引起了国内行业部门的觉醒。当时就是委托我们向达到一定规模的 ktv 和酒店发函，通知他们要收费了。很多 ktv 说我买的系统就有了，不是我搞的歌，这是混淆概念，首先你不会买没有歌的系统，其次，你没有为这个歌另外付费。

At that time, the International Recording Association spent a lot of money on initiation and later suffered a great loss. After initiation, it was snatched by the domestic industry authorities. It caused the awakening of the domestic industry departments. At that time, we were commissioned

to send a letter to KTV and hotels that reached a certain size to inform them that they would be charged. Many KTV owners said that the songs come with the system they purchase. This is a confusing concept. First, no one would buy a system without a song. Second, no one pays for the songs separately.

还是要说到法院。我们是最早做这个的，我们也参与过网络信息保护条例立法工作，我们启动了第一批传播权的案例。现在保护最难的，就是法院办案收到各种干扰，我觉得法院的价值取向有问题。最开始维权的时候判决金额还可以，有震慑作用，后来就越来越低，起到了副作用，怂恿不支持知识产权。

Still, speaking of the court, we were the first to do this. We also participate in the legislative work on network information protection regulations. We initiate the first cases of the right of dissemination. The most difficult protection now is that the courts receive various interferences in handling cases. I think there is something wrong with the court's value orientation. The amount of the verdict is okay at the beginning of rights protection, and it has a deterrent effect. Later, it became lower and lower, which has a side effect and encourages not to support intellectual property rights.

知识产权侵权本身应该有一种惩罚性，惩罚就是不让他再侵权了，侵权人认为处罚轻到好像鼓励，连教育的目的都无法达到。

The infringement of intellectual property right itself should have a punitive nature. The punishment is to prevent him from infringing the right.

是利益的博弈，中国是以利益既得者来立法的，他愿意损害全国大部分人的利益来成就自己的利益。电力法是电力部电力公司的人立法的，肯定保护电力企业的利益。保险法是保险公司来立法的，肯定保护保险公司利益的。这毫无疑问的。他不是偏向性的问题，

他立场就是这样的。我们知识产权也一样。著作权法是国家版权局的人写的，不符合他们利益的观点他们不听，对外还要掩耳盗铃。

It is a game of interests. China legislates on the basis of vested interests. it is willing to damage the interests of most people in the country to achieve its own interests. The electric power law is enacted by the people of the electric power company of the Ministry of electric power, and it definitely protects the interests of the companies. Insurance law is enacted by insurance companies, and likewise, it definitely protects the interests of insurance companies. There is no doubt that it's not a matter of bias because interest itself is a position. Our intellectual property is the same. The copyright law is written by the people of the National Copyright Administration. They do not listen to opinions that are not in their interests, and they have to cover their ears to the public.

立法源头都是不清不楚，肮脏不堪。当时在中心城市听取意见，我们也发表了一大堆意见，提交给了国家版权局。第二个，法院保护的问题，存在重大偏差。我们国家的法院，不是法官不懂，而是他必须站在他的角度考虑一些他不该考虑的问题，有不同的侵权人的社会关系的请托，还有法院领导和其他领导干部来的，越判越低，到法官自己都不好意思。以前一个音乐就几万的，后来到了一千多一首，到了批量诉讼，几十块一首，他怎么支付他的维权成本？他还要倒贴钱。侵权的获利，维权的亏损，这叫知识产权保护？什么考虑经济考虑国情考虑行业维护？这是法官应该考虑的？

The source of the legislation is unclear and dirty. At that time, we hear opinions in the central city, and we also publish a lot of opinions and submit them to the National Copyright Administration. Second, there are major deviations in the issue of court protection. The court in our country is not that the judge does not understand it, but that he must consider some issues

that he should not consider from his perspective. The infringers' social relationships, which also include court leaders and leaders from other parts keep requesting in favour of the infringers. As a result, penalties in the trials go lower and lower, to an extent that the judge himself is embarrassed of such outcome. In the past, there were cases that a single song costs ten of thousands of Yuan, and later costs only a thousand Yuan in batch lawsuits. How does one pay for his or her rights? He or she has to pay from his or her own pocket. The infringer gets all the profit while the right owners lose money. What kind of intellectual property protection is this? What are the economic considerations, national conditions, and industry maintenance? Is this something a judge should consider?

从健康积极的一面说，虽然做不到特别好，但是毕竟一直在做。横向比较有太多不足，但是纵向比较还是了不起的。湖北市场很多业务我第一个做的，音乐作品音像制品，光盘碟片。以前武汉市，想买正版的不知道哪里买，太少了。

On the positive and healthy side, although it can't be particularly good, it is persisting after all. There are too many shortcomings in horizontal comparison, but the vertical comparison is still remarkable. I was the first to do a lot of business in the Hubei market, including music works, audio-visual products, and CDs. In the past, in Wuhan, I didn't know where to buy the genuine copy. You can't expect them to flow in the market.

维权的行为消费者经销商建立了版权意识的培养。

Rights protection has established a sense of copyright awareness for consumer dealers.

还有就是，公开买的都是正版的，老百姓买的就是正版的。我们国家知识产权侵权最严重的，是在地方经销商。比如买衣服，阿迪的衣服，你卖一万件真的，你可以做一百万件假的卖。很多人进货都问，正品多少，仿版多少。说明中国知识产权保护力度小，就是正

版经销商，在大量卖盗版。

What's more, what is bought publicly is genuine, and what the vast majority buys is genuine.

The most serious infringement of intellectual property rights in our country is at local distributors.

Such as buying clothes, Adidas clothes for instance, one can sell ten thousand of counterfeit for the same price as one thousand genuine Adidas sold. When sellers lay in stock, they tend to ask how many are genuine and how many are counterfeit. It shows that China's protection of intellectual property rights is minimal; that is, genuine dealers are selling pirate copies in large quantities.

比如音乐作品，这些经销商是否侵权，在于他们是否知道是盗版，是否能够提供正版的进货渠道。当时最高法院写这个司法解释的时候，我们一看，说书生误国。我们也改行了，音乐作品的音像制品维权我们不想搞了。我们是第一线维权的，我们才能领悟这个错误的严重性。

他就不懂这个实务。

For example, whether music distributors infringe on music works depends on whether they know they are pirate copies or whether they can provide genuine purchase channels. When the supreme court wrote this judicial interpretation, we take a look at it and say that the scholars were wrong. We have also changed course, and we don't want to engage in the protection of audio-visual products of musical works. We are the first-line defenders so that we can understand the seriousness of this mistake.

He didn't understand this practice.

我是个很大的经销商，我有 20 个门店，我进 20 个正版的，一样放一个就是了，然后我

自己委托小作坊生产五万个盗版。你说我侵权了，我就把正版的发票给你看，我不知道啊，我有合法的进货来源啊，我不知道侵权啊，我以后就不卖了。这不是很荒谬么。立法的他不懂。商人会不知道正版盗版？就是因为坐了个好位置，不一定代表他懂。

Suppose that I myself am a large dealer. I own 20 stores, so I buy 20 genuine works and just put one in each store. Then I commission a small workshop to produce 50,000 pirated copies. If some people say that I am infringing other people's rights, then I will show them the genuine invoice and tell them I have no idea of such thing as infringement, because I have a legitimate source of purchase. I might as well just close the store if such thing happens. Isn't this ridiculous? And those who write the law are not understanding this; there is no way that a merchant cannot tell the genuine from the fake. Just because the legislator sits on the high table doesn't mean that he understands all this.

现在著作权法专利法都在修改，他就想保护自己的利益牺牲全国人的利益，如果全国人大还按照这个改，委托版权局来，委托专利局来，那肯定不可能进步，肯定是倒车，再有空间，就是剥夺他们的权利了。

Now that the copyright law and patent law are being revised, he wants to protect his own interests and sacrifice the interests of the people of the country. If the National People's Congress still follows this reform and entrusts the Copyright Office and the Patent Office, it will definitely not be possible to progress. It must be reversed. There is room for them to deprive them of their rights.

Interview 7 & 8. (22 Feb. 2016)

互联网维权方面的难点？

Difficulties in Internet rights protection?

版权收集，然后标准不统一。

Copyright collection, then standards are not unified.

数字音乐版权的保护力度比较小。

The protection of Digital Music copyright is relatively weak.

音作协尝试统一，来进行维权，但是他们对自己有什么好像都不清楚。国家地方的公司、互联网企业，委托的律师事务所，比音作协要专业得多。

The Music Copyright Society of China tried to unify and defend their rights, but they didn't seem to know what the rights are. National and local companies, Internet companies, and commissioned law firms are much more professional than the MCSC

只是说，版权这一块，经常发生争议，词作者、曲作者、公司，都有争议。法律规定很完善，但是会出现重复授权的问题。因为音乐作品是海量的。

I'm just saying that copyright is often controversial. Lyricists, composers, and companies fight against each other all the time. The legal requirements are clear, but there will be problems with duplicate authorizations. Because the music works are massive.

司法实践中，律师帮助维权的成本应该不高，但是诉讼的成本可能会比较高。

In judicial practice, the cost of lawyers to help defend their rights should not be high, but the cost of litigation may be relatively high.

从源头上开始保护。近些年你觉得怎么样？

Protect from the source. How is it in recent years?

越来越好，在往好的方面发展，网络下载也在付费下载，影视剧也是，消费者的消费习惯在养成，有利于保护版权。

It is getting better and better. It is developing in a healthy way. Internet downloading, movies and television dramas are also being developed and charged. Consumer consumption habits are being developed, which is conducive to protecting copyright.

您本身从事相关工作，06 年到现在最大的变化是什么？

You are engaged in related work. What is the biggest change from 2006 to now?

司法力度增强。

Increased judicial strength.

现在的维权手段和效率？

Right protection methods and efficiency?

效率比较低。

The efficiency is relatively low.

原因？

The reason?

司法体制是这样的。

The judicial system has always been this way.

您有什么期望？如果改进的话。

What do you expect? If improved.

没有办法改进，这是法律规定的审限问题。

There is no way to improve this. This is a matter of trial limit prescribed by law.

如何避免？

How to avoid it?

给法官加工资。工资加起来，他们就做得快点。

Funding judges. When the wages add up, they do it faster.

Interview 9. (22 Feb. 2016)

数字音乐产业行政管理不到位，司法保护也有待加强。行政方面管理模式有问题，国家版权局不是管理机构，没有实质性管理，没有明确的规则。互联网业务发展出来后，行政管理发展滞后，现在主要依靠音作协，行业组织，都是面上的东西，比较抽象。Ktv 他们在武汉做的比较多，没有明显成效。都是临时性的，没有常态化的保护。

Digital Music Industry administration is not doing its job well, and judicial protection needs to be strengthened. There are problems with the administrative management model. The National Copyright Administration is not a management agency. It has no substantive management and no clear rules. After the development of the Internet business, the development of administrative management lags behind. Nowadays, it mainly relies on the MCSC and industry organisations, which are all superficial and relatively abstract. KTV actually does a lot in Wuhan but without obvious results. They are temporary and there is no normalised protection.

Ktv 的系统根本而言，是点播公司买的，这个采购费用，点播公司是侵权的根源。

KTV's system is basically bought by the corresponding audio company. The purchase cost is the source of infringement.

采购点播器，很多 ktv 都不知道这个情况，这个行业需要从源头治理。具体的原因没有深入交流，至少作为行业组织，维权效果还是很差的。

When purchasing VODs, many KTVs are unaware of this situation, and the industry needs to manage it from the source. The specific reasons have not been thoroughly communicated. At least as an industry organisation, the rights protection effect is still very poor.

不好的原因？

Why is it bad?

有市场经济的原因，有法院的原因，音作协去年前年做的公证都有几千件，量很大，法院也不能保护太高，另一方面，侵权市场很大，音作协的精力也是有限的，面面俱到有一定难度。还有很多音乐著作权人没有加入到音作协，不是会员。

There are market economy reasons and court reasons. The notarization done by MCSC last year had thousands of pieces. The amount was large, and the court could not offer strong protection. On the other hand, the market for infringement was large, and Yin Zuo Association had limited energy. Yes, doing everything perfectly is difficult. Many music copyright owners have not joined the MCSC and are not members.

很多独立音乐人不交给音作协管理，交给公司管理，集体管理反而不好。

Many independent musicians are not entrusted to the management of MCSC but entrusted to the management of companies, and the collective management is bad.

作为权利人，现在中国数字音乐市场的发展如何保护自己？

As a right holder, how does the development of China's Digital Music market protect itself?

各种作品权利的流转，都有规定，但是数字音乐是新型产品，特别是互联网的传播，产品模式越来越多，立法相对滞后，与技术发展不能匹配。对不同类型的音乐产品的保护缺乏可操作性的保护措施。最后就是司法保护力度要加大。

There are regulations for the circulation of various works' rights, but Digital Music is a new product; especially under the influence of Internet, that there are more and more product models, and the legislation is relatively lagging behind. The protection of different types of music products lacks operable protection measures. The last is to strengthen judicial protection.

Interview 10. (23 Feb. 2016)

A 请问你对版权制度和法律法规近些年的发展看法？

A: What would you say about the recent development of the copyright system and relevant laws and regulations?

B: 音乐版权，在我们国家实行集体管理，音作协和音集协管理，还有分销制品版权，从制度设立开始，91 年之前都是用文化部、国务院规章在规范，91 年立法，在著作权法修改后，01 年，对集体管理这一块有提升，主要是对音乐版权的作品的使用方面，强调走集体许可的道路。05 年中国音集协根据国务院计提管理条例法律规定，推进推广集体许可体制，所以 05 和 06 年以音集协音作协为主体的原告或者叫权利人在全国大范围提起了维权诉讼，有行政投诉，有司法诉讼，做得比较多的是司法诉讼。从 05 年到现在，包括两次著作权法的修改，在维权诉讼中出现了一部分问题，音集协有的当原告，有的当被告，当原告是维权，当被告是权利人告，因为有的 ktv 跟音集协合作，但是音集协不是拥有所有歌曲的版权，但是 ktv 认为自己已经向音集协缴费了这样就把法律材料交给音集协，他代表的利益是集体的利益。这样，全国发生了一些不同事件，被告应诉后都要求音集协等组织参加诉讼，有的法院把音集协作为被告。接下来，不管缴费的人是否申请追加音集协，音集协都积极参与到这些被告已经缴费了的诉讼中，所以音集协在诉讼方面有提升。但从案件来看，有两个方面的问题，1、机关组织没有代表性，不是开放的，是封闭的，工作方式是行政性的，而不是事业性的，这方面有很多案例，特别跟台湾和新加坡对比，他们三十个会员就可以成立一个机关组织，组织之间平衡来解决利益问题，从我们的会员结构看，权利人有百分之九十以上都是会员单位，还有百分之十，是小权利人，小权利人也是权利所以小权利人维权的时候，音集协也成为被告那干嘛他要担责呢而且也是形成趋势。最近几年，音集协也在借鉴丹麦的管理办法，进行集体管理的纵

深推进，至少在会员和非会员起诉的时候，音集协也可以参与，在这个过程中实现协调。

但是，小权利人的案件到法院来，法院不可能按照你行业内的规矩，在没有写进立法的这个规矩下，把小权利人的诉讼给你音集协，只能按照著作权法的规定来处理实施，该申诉该败诉，不能因为他没有参与集体管理而否认他的权利存在。这样带来的问题是，法律的不公平，权利人受到保护并不一致，为什么不保护小权利人，这是对司法提出的一个非常严峻的问题。2、国家这么大，一个行业一个机关，这种情况下太封闭，这种封闭直接导致行政化没有竞争性容易形成垄断。国外，向用户收费后，机关组织二次分配，再给权利人，这样有竞争性，对外是否缴费由使用单位决定，对内有竞争，要求提高集体许可服务质量。最近音集协也在着手研究，但是最近在著作权法修改稿中，对集体管理许可上改变有很多，由于机关组织的问题，还存在一些非议。

B: In China, music copyright and copyright distribution are managed collectively by the China Music Copyright Association and China Audio-Video Copyright Association. It was regulated by the Ministry of Culture and State Council before 1991. The year 1991 marked the establishment of the Copyright Law, after the revision of which in 2001, improvement has been made primarily on the use of copyright music works with an emphasis on a collective permission system. In 2005, the China Audio-Video Copyright Association promoted the implementation of a collection permission system according to the State Council provisional regulations and laws. Thus, in 2005 and 2006, the China Audio-Video Copyright Association acted as the main party of plaintiff to submit lawsuits nationwide to safeguard copyright, among which there were administrative complaints and judicial litigations with the latter being the dominant type. Since 2005, there have been two revisions in the Copyright Law, and we've seen some problems in these lawsuits. In some cases, the Association was the plaintiff, while in other cases, it was the

defendant. This is because some KTVs were in partnership with the Association, but the Association doesn't have the copyright of all songs. These KTVs assumed that they have paid for their partnership and thus could hand over the legal documents to the Association which represents collective interests. Therefore, in the different cases occurred nationwide, once the defendant responded to the lawsuit, the defendant would ask the Association to participate in the case, and some courts even took the Association as part of the defendant. Later on, regardless of whether the plaintiff requests to include the Association as defendant, the Association would actively take part in these lawsuits, so the Association has been increasingly involved in copyright cases. When it comes to judicial decisions on these cases, there are two main problems. First, our authorities and associations are not representative and open, but closed and administrative at its core. In this respect, we can make comparison with Taiwan and Singapore, where thirty members can establish an agency, and agencies can work with one another to solve interests-centred problems. In contrast, in light of our membership structure, ninety percent of our rights-holders are member agencies and the remaining ten percent are small rights-holders. These small rights-holders also have rights, and when they are filing a lawsuit to protect their rights, the Association also gets involved as defendant, but why would the Association like to take this liability? In recent years, the Association has drawn upon how Denmark regulates this area and moved ahead the collective regulation system. This creates opportunities for the Association to get involved and act as a coordinator when both members and non-members have filed a lawsuit. However, when the small rights-holders file a case, the court could not decide according to the norms of the industry and how the Association would like to decide, but rather, follow the Copyright Law only. The judicial decision made on these cases is not contingent on

whether the small rights-holder is a member of your collective system. As a result, the law turns out to be not fair, as the protection rights-holders receive from the law is not the same. Why small rights-holders are not protected in the same manner as the big rights-holders? This is a serious challenge facing our legal system. The second problem is that in our country, one industry or one agency could form a closed circle, which can easily lead to monopoly due to little room for competition. In overseas countries, after users are charged, rights and interests are reallocated by the dominant association(s) to form competition inside the circle. It allows the business body using copyright items to decide whether it wants extra charges, helping improve the quality of services they collectively provide. The China Audio-Video Association has recently started to work on this, but we are in the process of revising the Copyright Law, and there would be many changes to the collective permission system. There are also some debates over the structure of authorities.

A: 主要还是由于权利太集中，管理透明度机制不高，管理比较混乱，大家整体来说比较模糊。

A: The main problem is still concentration of power and the opaque and chaotic governance, which makes it a fuzzy system for people to work with.

B: 对，在一个机关组织，透明度不高。

B: Yeah. Very opaque governance in an authority.

A: 管理混乱，大家也不知道到底是怎么管理的，对这个模式感觉模糊。

A: Chaotic governance. People don't know how it's regulated. Not clear.

B: 对公众和对机关组织都不讨好，就是因为这两个致命的弱点。作品这么多，工作量这么大，集体管理许可的生命力应该是很强的，为什么大家这么多非议？原因就在这里。

音集协组织了一些律师，在做内部的组织管理工作，实际上还有一些唱片公司、公众代表参与的话，可能会更理想。

B: Because of these two Achilles' heels, it does no good to both the general public and the authorities. We have so many music works, the collective permission system should have been robust, but why it is much debated like this? Chaotic governance is the core reason here. The China Audio-Video Copyright Association has brought together some lawyers to help improve its organisation. In fact, if they could get some record companies and civil society representatives involved in this process, I think the outcome could be even better.

A: 就目前而言，国家会建立新的机关组织来分担这个责任还是靠音集协？

A: Given the current circumstances, would the government establish a new authority to undertake this matter, or leave it to the Association to manage?

B: 这个很复杂，我们国家人多，音乐作品的推进、管理，本身很复杂，涉及多方面利益，集体管理的时间不是很长，经验积累不多，体制配备、规则、运行还是行政化的趋势，一下子放开的话，公众对机关组织的权威又会发生模糊的意识，公众的意识和素养到一定程度，才能把这个放开，才可能带到达到开发、有效、权威。美国那么发达，他也是通关集体许可实现的，有一个循序渐进的过程。通关近十几年来的，以业主为被告的案件的梳理总结，集体管理还是有些问题，主要在音集协本身工作方式等等。

B: This is a complicated issue. We have a large population, and the promotion and regulation of music works per se are complicated enough, not to mention the various interests of multiple parties involved. It hasn't been a long time since we started to carry out collective management, so we still lack experience. At the core of many of our regulations and norms are still very much administrative. If the government leaves it completely open in one step, the public would once

again feel uncertain about its authority. We need to enhance the public's awareness and overall attainment before taking such step. In the advanced economies like the U.S., several steps have been taken before the collective permission system was carried out. Having looked at all those cases for the past few decades, we can see that there are still some problems in the collective management system, mainly in how the Association works.

A: 产业发展很快，但是制度建设慢。

A: The industry develops fast, yet institutional building falls behind.

B: 对，滞后的，方向来说没有问题，国际上也是这样，我们国家也不会放弃集体管理，回到行政命令。回到那个年代，层层审批，那效率太低了。开一个演唱会都要一层一层审批。集体管理集体许可还有个报酬的问题，不只是集体管理组织的问题，还有法定许可的机构，申请就视为许可，不一定非要到机关组织来。

B: Yes. It lags behind. It is heading the right direction, the same as other countries. We won't abandon collective management and go back to administrative order, which suffered extremely low efficiency. Even having a concert required approval at all levels back then. Financial reward is also involved in the collective management and permission system. It's not just about how this collective management system is organized. There would also be an agency that is legally licensed. An application would be regarded as being granted permission, which spares you the trouble from going to the authority.

A: 目前来说音集协是初步阶段，没有太多权威性，以后还是多个组织协同管理是最好的。

A: So far, the Association is just the initial step. It doesn't have much authority, and it would be better if we have several agencies regulate it in partnership.

B: 这是公开的竞争性的集体管理，效率就高了。那就像垄断一样，一旦有竞争，就要提

高服务质量。要往这个方向发展。国家集体管理条例已经定性了，不是国家机关，类似自制组织，但是他有特殊性，会员也是特殊的，那这个时候权威那里来呢？不像其他行业组织。

B: It would be highly efficient, as this kind of collective management is open and competitive. Against monopoly, once there's competition, the players would have to enhance the quality of services. If we could head towards this direction, the regulations on collective management in our country would come to mature. They are not really governmental agencies, but more like self-government organisations. These organisations have their particularities including its members being distinct from one another. Then in this case, where does the authority of these organisations come from? They are not like organisations in other industries.

A: 还有一点，影视音乐作品侵权的赔偿额降低，有一部分观点是诉讼安全多产生的，原来几百件现在几千件，还有一部分观点是你不维权，有个人性的可控空间，您怎么看？

A: Another point is the declining compensation for the infringement of copyright movies and music works. Some say it is because of the increased number of cases, from the previous hundreds of cases to the present-day thousands. Others say if you don't protect your copyright legally, you will have some room to manipulate. How do you see it?

B: 你谈的是维权的效果，在司法层面，精神判赔，版权法 48 条也有规定，是授权性的，一个是经济损失，一个是违法所得，一个是酌定考量。损失这一块，由于版权是无形的，没有说直接的损失，参照许可费用来说，也不好算，违法所得也是一样，没法计算，酌定赔偿的这一块，考量一些其他的因素，不能说判被告败诉或者赔礼道歉或者删除，但是权利人的利益没有体现在圆角分，对权利人来说，没有什么意义。音集协托管的十万首，一个小歌厅可能四五万首歌，中等的六万八万，大的上十万，按照 05-06 年包房面积，一

首歌可能两毛钱不到，五倍也就一块钱，那 ktv 业主不高兴死了？他当然选择就等你来告我，然后消耗司法资源。像有的歌厅我们一年判他二三十万，他正常应该交七八十万，这样判了，他得到的利益还是更大。音乐版权还是知识版权，强调的是填平，不是惩罚。如果是惩罚，授权法官可能力度更大，去获得许可去尊重人家版权。所以这三种方式，用得很多的是酌定赔偿。权利人维权，现在不一首歌一首歌来，一个歌厅取证取几十几百首甚至一两百首，业主也受不了，对版权人和侵权人也要有个平衡，不能一棍子打死，音乐作品也需要传播，所以 0809 年我们考虑了一下调整在两三千，但是高级法院还是觉得多了，所以现在都是几百块千把块，我个人觉得，还是没有起到警戒的作用。违法成本低，与许可支出的差距大，所以他们还是不购买版权。有个美国留学的大学生，通过自媒体传了一首歌，被他们管理机关发现，罚了两万美元，如果不交就是刑事犯罪，国内来说是天价了。但美国本身对这个有个尊重，让你不敢违法，从严。这个也跟集体管理组织发展一样，有个过程。公众的意识、接受能力，和产业接受能力，产业也要发展。我比较赞同曾老师的观点，他提出要惩罚性赔偿，很多学者认为会把国内的产业搞没，但是他认为，高起点更严格的措施，不是消灭产业，而是保护了产业，不让你盗版，像我们的华为在美国就是利用这一点知识产权法做强做大了。产业有上游下游，权利方希望更高赔偿，使用方想更低的赔偿，这么多年来，我们的集体许可、法律保护，现在不应该有大量的盗版的问题，但是还是太多了，ktv、光碟、网络盗版。去年腾讯告网易，这是原始的传播者，用的都是别人的东西，判下来就是个全国典型了，去年国家也正在打击，给了过渡期 8 月 31 日，200 多万首都是盗版，完后十月份国家出台措施，不是都要集体管理，只要我买了，就给授权，我觉得这样也是保护了权利人保护了传播，去年的整顿还是有进步的。虽然在音乐作品管理创新，我觉得还是应该要发出更多左右。在音乐制品，还没有明确的规定，这个也不容易。授权法官考量没有错，但是也要让法官的裁量

权更大不能局限于填平，才能起到警戒左右，他不敢盗版了，自然就去正版了。我们这方面确实还存在问题。

B: The latter viewpoint you mentioned is about what you can get from a legal case. According to Article 48 of the Copyright Law, there are basically three outcomes including financial losses, illegal gains, and discretionary decisions on compensation given the circumstances. In terms of financial losses and illegal gains, copyright infringement doesn't lead to losses that can be specifically measured, so it's rather difficult to arrive at a particular figure. The other is discretionary decisions on compensation, since the circumstances and some other factors are considered, the copyright owner's interests are not supported in specific monetary terms, but rather in other forms such as an apology, the defendant losing a lawsuit, or a judicial order on deleting the item in dispute. But this doesn't make a difference to the copyright owner. The Association manages the copyright of over a hundred thousand songs. A small KTV has about 40,000 to 50,000 songs in business, 60,000 to 80,000 songs for a medium-size KTV, and over 100,000 songs for big KTV businesses. Calculated based on the room size in 2005-2006, a song costs less than 2 cents. Aren't all KTV owners carefree about the cost? They would surely just wait for copyright owners to sue them and then consume the judicial resources. You know, in some cases KTVs only pay the compensation as much as 200,000 or 300,000 yuan whereas they are supposed to pay 700,000 or 800,000 yuan. In such cases, these KTVs are still the real winners. Music copyright is by nature intellectual property, and at the core of the court's decision is a balance of interests rather than pure punishment. If the focus is on punishment, the judge would be able to lend more support to the copyright owner. So out of the three outcomes above, discretionary decisions on compensation given the circumstances are used more than the other

two. Now the copyright owner would not seek compensation on a song-by-song basis, as a KTV would infringe the copyright of dozens of even hundreds of songs, and the KTV owner would not be able to bear the cost. There needs to be a balance between the interests of the copyright owner and those of the infringer, as music works also need these entertainment businesses for widespread recognition. This is why in 2008 and 2009 we thought about lowering the amount of compensation to 20,000 or 30,000 yuan, but the High Court brought it further down to a few hundred yuan to a thousand yuan. Personally, I think this would not have much effect on preventing infringement. When infringement has such a low cost, the infringer would not turn to purchasing copyright. There was once an overseas student in the U.S. who uploaded a song by self-media and got caught by the local authority. This student was fined 20,000 dollars. In this case, if you don't pay, it would be a criminal offense. Think about it: it would be a sky-high price to pay if it were in China. But what the U.S. does is to pay respect for copyright, and they hit the infringer harsh enough that no one else dares again. Similar to the development of the collective management system, it takes steps. It also takes time to enhance the public's awareness and their ability to accept how this industry should run, as well as the industry's acceptance of the new norms. I am with Mr. Zeng who has proposed the idea of punitive compensation. Many scholars assume that this would kill the industry in China, but Mr. Zeng maintains that more stringent measures will not kill the industry but protect it from piracy. One good example is what Huawei has done in the U.S. Huawei has made good use of the stringent laws and regulations on copyright to help itself grow stronger and more competitive. An industry has different stake holders involved. Naturally, the copyright owner wants higher compensation, yet the copyright user wants to pay less for it. Over these years, we've made effort on carrying out a collective

permission system and developing laws and regulations to protect copyright. There should not have been so many piracy problems, but the fact to the contrary. The act of infringement is still everywhere, KTVs, DVDs and online. A recent example is last year's case in which Tencent sued NetEase, which was the original distributor of items produced by others without having obtained the copyright. This case is representative in China. Last year, the government was cracking down piracy and issued a transition period up to 31st August. Over 2 million songs were found pirated by then, after which the government put some measures in place to complement the collective management system. For example, you can obtain copyright insofar as you have purchased it. I think this is good both for protecting the copyright owner's interests and promoting music works among the public. We've seen tangible progress thanks to our anti-piracy work last year. There haven't been clear regulations on music works, and it's not an easy area to manage. We should allow judges to make decisions on compensation given the circumstances, but we should also empower them to make judicial decisions more than just maintaining a balance of stake holders' interests, as we need to make the judicial decision an effective warning to deter future act of infringement. In this respect, we still have lots of work to do.

A: 近些年国家对数字音乐的管理方式的提升体现在哪些方面呢？

A: What are the specific areas in which improvement has been made by the government in the way Digital Music is managed?

B: 这涉及到行政监管这一块，通过公开信息，整治网络音乐，前些年整治音乐录制品，在演唱会表演这一块也出台了规章，都是行政方式，除了去年的，都没有达到什么效果。实际上这方面行政权完全是可以去管的，音乐版权的动态运行相反的措施他可以做到。文字作品有规定，美术作品也有，音乐作品为什么没有？你有一个，别人就有个谱，违

法了会怎么样。我们对 ktv 这一来的收费，不是对作品本身，而是对使用环境，实际上还是对经济能力的，按包房数，这个不准，为什么不能去针对整个系统？不是说我抓到现行的，而是你有这么多数量的歌曲。这方面，行业组织也是有能力的，按数量来分级，严重，巨大，特别巨大，免得大家用一两首歌曲来衡量。你不能就一个填平，该一百万就一百万，那许可制度就没有愿意了，更何况你抓到的事 30 万他隐瞒的事 70 万，还有 70 万的违法所得啊。

B: This concerns administrative supervision and management. Digital Music is managed and supervised through publicized information. For the past few years, regulations have been developed to manage music records and concert performances. These regulations and efforts have all been administrative so far, except last year's, and little real difference has been made. In fact, administrative power can be put into practice in this area, and it may also work well in managing music copyright. There are effective regulation and administrative supervision on literary work and fine art, why is music works an exception here? There should be laws and regulations for music works, so people know what would follow if the laws and regulations are broken. We should charge KTVs not focusing on songs but focusing on the business environment in which these songs are used. If it's difficult to be accurate according to the number of KTV rooms, why not targeting the entire circle of business? Payment for copyright should not be based on how many songs being illegally used caught by the authority on site, but rather, it should be based on how many songs you hold in your KTV collection. In this aspect, associations of the industry are capable to play a key role such as ranking KTV collections of songs by number. We should implement punitive compensation rather than a balance of interests. If the amount of illegal gains involved is one million yuan, the infringer must pay one million yuan. If what you

have caught on site only involves 300,000 yuan and you only ask the infringer to pay that much, the infringer would keep the remaining illegal gains as much as 700,000 yuan.

A: 本身产业发展的规律，知识产权法律保护，我国毕竟还是没有国外长。

A: In China, legal protection for intellectual property hasn't had that long development as overseas.

B: 笼统说就是管理方式吧。为什么在美国没有人敢盗版，第一技术上进行了监控，美国电影协会哪里放个盗版片马上就能知道，第二有发达的管理机构，第三高强度的惩罚措施，不是说到了一定程度以后才叫犯罪。传播一首歌到了某个程度，可能也要判刑。所以，肃然起敬啊。

B: In a nutshell, what we are lagging behind is the way intellectual property is managed. Why does no one in the U.S. dare to pirate? The first reason is technological supervision. The Motion Picture Association of America would immediately detect where a pirated movie is put on show. The second is its advanced network of regulatory agencies. Third, it puts in place punitive measures that are daunting to potential infringers. Even an act of infringement that may appear mild could lead to judicial sentence. These measures keep sounding the alarm in everyone's mind.

A: 国外知识产权意识也比国内要高。

A: In overseas countries, the general public's awareness of intellectual property is also better than us.

B: 这取决于公众、行业内、管理部门等，大家合力才能做好，光法院做没有用。比如有的应该罚 70 万你只罚他 30 万那违法程度很低呀他还是赚了

B: This depends on various parties, not just the public, but also the industry and relevant authorities. We all need to make some effort in this before we can deliver what we hope to see.

We cannot rely on the court alone. In those cases where the infringer should have been fined 700,000 yuan but only 300,000 yuan is decided by the court, it turns out the infringer still gets away with it and makes a profit in the end.

A: 在您看来，对数字音乐版权管理，首要问题是什么？

A: From your standpoint, what is the foremost problem when it comes to managing Digital Music copyright?

B: 最急需的是产业，行业，执法机构三者统一，三者要协调，提升工作意识上再去完善。开放性的集体管理，要真正的自愿，这样可能运转起来更磨合一些，集体管理提升的空间很大，权利人和公众不光是知识产权意识问题，基本的法律意识问题也要提升。

B: what is much needed now is coordination between the industry, businesses and law enforcement agencies. We need to be better aware about the situation and what would be the best for all stake holders. We need to implement an open system of collective management. Participation should also be voluntary, so it would create more opportunities for multilateral cooperation. There's still much room for the collective management system to improve, and we need to improve not only the copyright owners and public's awareness of intellectual property issues, but also people's awareness and knowledge of basic laws.

Interview 11. (24 Feb. 2016)

因为中国的数字音乐产业目前是比较奇怪的一种，就是音乐市场是一种奇怪的状态。为什么视频相对比较容易的去收费、去市场化，而音乐这一块相对较难，其实有中国市场和老百姓消费的问题，所以说作为你比如说包括我、包括我身边的很多音乐人，其实没有太多的去关注这一块，因为处于什么问题呢：第一个是中国政府政策层面上的问题；第二个是中国市场问题；还有消费人群的问题。我觉得是这三块这都出现了和国外不相同的状况。

Chinese music industry is now in a strange position; comparing with Digital Music, digital video can charge and marketise easily, and this fact has to do with Chinese people's consumption concept. Many people who are inside the Digital Music Industry, including us, do not pay much attention to this part. The reason being: problems with Chinese government policy, market, and population. Situation of these three parts in China are far different of which in the other country.

A: 对，因为首先是国内消费概念意识培养长期是处于我们是使用免费音乐服务。

A: Yes, because we cultivate users' concept of consumption extensively by offering free music services.

B: 对，他这个其实可能是个过程，其实不光是我们国家，相对很多国家都会存在这样的问题，只是我们国家来讲的话，我们国家人口多，所以说这样的矛盾跟问题呢可能这个基数会更庞大一点，对不对，你说非发达国家来讲的话呢，你说老百姓可能想的是吃喝穿，是基本的生活保障，你说有谁会在音乐上去消费很多，这个其实可能性不大。那么对于现在的生活来讲，虽然说物质生活上有一些改变了，但实际上延续下来的，一个是消费意识问题，第二个上讲台的话呢他不知道怎么去消费。

B: Indeed, this could be a long process. In fact, not only in our country, but also other countries

face the same issue, and it's only because of China's huge population that makes the N bigger. Talking about those underdeveloped countries, their people worry about food on the table and roof above their head, so it's unlikely that they will spend much money on music. Back to China, our materiel life does improve a lot, but there are problems about consumption concept that remain. In another word, Chinese people do not know how to spend their money.

A: 您就是说支付渠道有影响到大家？

A: You are saying how payment channels affect people?

B: 对，支付渠道也不差，也有这样一个问题。第二个上来讲，再一个就是音乐特有的这种文化现象，因为什么它和影视不一样，你比如说电影它收费这个相对比较容易，你比如说包括像迅雷呀，包括像乐视啊都可以的。那么音乐它为什么，它其实就是存在这一个特殊的形式，它本身也是介于这种两者之间，比如说一个未知名的音乐创作人或者是歌手、乐手，他开始的时候他希望他的歌都是正版或者都是盗版，做为他自己都无法去选择，他可能希望更多的盗版，为什么呢，因为有多人去了解他、去听他，结果每一个成了名的音乐人都有这么一个过程，可能他会鼓励所有的网站都免费，甚至的花钱帮他自己多盗版，那么他寻求的是什么，他寻求的是一个量，寻求的是一个名气，一个知名度。那么当他有了这个之后呢？那么他想回归到正常渠道，他的唱片想收费，可能吗？

B: Yes, payment channel is a thing, but there's also the issue of cultural uniqueness of music, and how it is different from the video industry, because the video companies such as Thunder and LeTV, it is easier for them to charge through movie purchase. Music, however, has this unique property, which put itself between piracy and copyright. An unknown musician would hope that all his or her works being either genuine or pirate, maybe he himself could not make the choice, or he want them to be pirate because he wants to reach more people through piracy.

Every known musician in China underwent this process, that they encourage piracy on all websites and even pay to make more pirate copies, because they are aiming for popularity and view counts. After they achieve certain amount of popularity, is it possible for them to come back to the regular procedure of copyright and monetize?

A: 这就很难，因为有个消费习惯在作祟。

A: This would be hard because of the consumption habit.

B: 你如何去界定它，后来的歌手他太多了，我为什么说你原来你的唱片不收费，恨不得要送给我听，现在为什么要突然收费。所以这是一个很大的问题，所以说中国目前音乐消费的话实际上相当唱片只是说维持一个音乐艺人的一个产品需求，实际上是通过别的渠道来挣钱，那么唱片他是无法挣到钱的，不光是中国大陆，包括香港、台湾整个东南亚地区基本上都是这么一个状况。

B: There are just too many of this kind of musicians, and I wonder why these people send out works for free at first but now want to monetize. monetise is a big issue; on music consumption in China, records are merely meeting the product needs of musicians, the real revenues come from other channels one cannot profit through selling records. Not only mainland China, but Hong Kong and Tai Wan face the same situation.

B: 它通过演绎实际上来获取利润。那么和欧美比较成熟的唱片市场它不一样，就是说我下载，比如说我还想听 MJ 的歌曲，那么拥有他版权的唱片公司，他是可以获得收益的。那么中国来讲呢，它其实是跳过了这是时期了，没有这个时期，因为这个时期中国的音乐还属于萌芽状态，在等于说中国的大发展了之后，逐渐赶上起了，就跳过了这个时期，传统唱片时期直接到了数字时期，那么数字时期来讲的话呢，其实比如说对于中国，对全世界都是很大冲击，国外来讲的话，其实也不可能回归到 80 年代的唱片届的高峰时期，

回不去了。

B: Well, it is not the same as the mature record market in Europe and the United States, which means, for example, I want to listen to MJ songs and I download his music, then the record company that owns his copyright can profit. In China, it actually skipped this period. There is no such period because Chinese music in this period is still in its infancy. After China's great development, it gradually catches up and skips this period, the traditional record period has directly reached the digital period. In fact, the digital period has a great impact on China as well as the world. In foreign countries, it is actually impossible to return to the 1980s, which the recording session peaks.

A: 知识产权保护方面。

A: In terms of intellectual property protection.

B: 对，国外是非常健全的，在我们中国来讲，不仅不健全，甚至是有很多破坏。我不知道你能不能了解像是去年，还是前几年，我没有太多的时间去关注这一块，音著协抛出了一个十几条的，去网上搜一下能搜的到，对中国的音乐人实际上是一个毁灭性的条款，就是说我直接代表你了，你被我代表了，你同不同意没有关系，我就直接代表你了，任何人只要找到我，向我交了费用，那么他就是合法的，所以说你有没有版权收入没有任何关系，所以说中国到现在中国大陆目前来讲的话呢，版权所有者他怎么样去维护他的，这本身就是很矛盾的，很模糊的，连法律层面这个方面都是没有完善的，所以更不要谈中国在这块很难有好的收益。

B: Yes, foreign countries have a sound system on this matter. As far as China is concerned, it is far from being sound and even causes of damage. I don't know if you can understand it like last year or a few years ago. I don't have much time to pay attention to this, but the MCSC introduced

a dozen policies which are detrimental to Chinese musicians, which basically says MCSC now able to represents all musicians without getting their consent; as long as anyone pays the fee, his or her music copyright can be legal. It doesn't matter if you have copyright revenue or not, so in mainland China, copyright owners are facing a rather paradoxical and vague issue because even the law doesn't cover this aspect well enough, not to mention a healthy income.

B: 这一块应该说是有一定帮助，其实这一块来讲的话呢，国内现在从事的几个公司他们也在做，但是从目前而言的话我觉得，因为我是一个专业的制作，很难理解一个普通的听众是从哪一个角度去获取音乐，主动获取还是被动获取，所以说很多的听众他其实是一个被动的获取过程，如果是被动获取的话，那么推广就显得尤为重要，因为一个很好的音乐，你不推广，他可能就一辈子都听不到。那么像主动获取的话，一般都有一定的修养，有一定的听音乐的判断率，他觉得我需要那一部分的音乐，然后他会在来取搜索，具有目的，当然这样的人非常少。

B: It is helpful, in fact, many companies are also doing so. To me, as a professional producer, I can hardly understand in which angle does a normal person approach music, whether it's active or passive. Many listeners acquire music information through passive methods, which makes generalization exceptionally important. A good music without undergoing the process of popularization can never reach a certain crowd. Few listeners choose music by themselves, because they know which kind of music they prefer and they search music with a purpose, but these are the minorities.

A: 就是相当于也是基于我国国情而言，音乐毕竟是一种精神消费，在前多年我们物质生活还没满足的情况下大部分的老百姓不会去考虑。

A: In China, music is a kind of spiritual consumption after all, which means people will not

consider it if their basic needs are not met.

B: 对，因为对音乐来讲的话呢，对于大部分来说他只是一个基本的文化消费，就像老百姓一般认为的是我呼吸个空气你为什么要找我要钱，我听个音乐只是精神愉悦一下，你为什么找我要钱，大多数现在还是这样，但是部分人有这种观念有这种意识，他觉得我愿意去消费，但是我消费后希望获得好的品质和服务，但是中国现在国内有的很大的问题就是，我们在音乐品质跟不上，下载的品质很糟糕。.

B: True, because to most people, music should be considered a basic cultural expenditure. Like you don't charge the air we breathe, so why charging us music, which merely brings us spiritual comfort. Most people remain this way, but few do have the concept of consumption and want to purchase for better quality and service. However, the biggest problem lies in the quality of music.

A: 这个是不是取决于音乐没有收益，所有自然而然品质没法提高。

A: Do you think it's because of the lack of profit in music that leads to this bad quality?

B: 这个肯定是有关，比如像百度，百度现在就把音乐分成了无损格式、高品质和一般的，普通的 128bkps 那声音音质就很难听了，但是这样来说，我知足的 128，我拿专业压缩的 128kbps 和百度压的完全品质是不一样的，百度品质就更糟糕了，我猜想是故意的，如果说你对音质真的有要求的话，那说明你是一个有要求的人，那么你就有可能会付费，那么这一部分人你有更高的要求话，你就会付费，我想这可能应该是他们的一种设计。

B: Definitely so; Baidu classifies music quality to FLAC, high quality, and normal quality. Normal quality, which is 128bkps, sounds awful, but I'm okay with 128kbps compressed with professional tools. Baidu, however, deliberately makes the 128bkps sounds awful. If you have a high standard on music quality, you will purchase high quality music, this might be Baidu's design.

A: 就是他故意提供了几种不一样品质的，比如说无损 128、198、36 就是这样分档。

A: So, they deliberately categorize different qualities of music such as 128, 198, and 36.

B: 但是就我目前所见到的人，绝大部分对音质没什么追求，因为你在回放设备这块，你没办法满足。

B: But as far as I know, people don't really have a high standard, because it would require high-end equipment to meet that standard, which you cannot provide.

A: 这是一个很大的影响。

A: This is a huge influence.

B: 就像你说的比 128 更糟的，很多年轻孩子在手机上听，他听得出来吗，他根本就听不出来。

B: As you just said, there are worse qualities than 128kbps, but young kids who listen to music on their phones cannot tell the difference.

A: 做合集的国内唱片公司就很少，因为他们遇到各种版权问题。

A: There aren't many record companies who make compilation, because they face all kinds of issues concerning copyright.

B: 它本身也有版权，他在翻过来实际已经丧失了意义，因为真正的发烧友肯定是要原版的。

B: The compilation itself has copyright as well, but it has lost its meaning when they compile the disc, because real Fanciers only interest in the original copy.

A: 他有这个消费水平的他就直接绕过你。

A: So, if they can afford to pay for the original ones, they will move bypass you.

B: 直接绕过来，因为现在互联网我也很方便，你这个作品谁指挥，哪一年哪一个版本 CD

是最好的，我就要找这个版本号的这样的东西我去掏过来。所以我们现在指的数字音乐就是指的我们现在新生代的流行音乐，就是指这块的市场，他们需要推广，在这不知道每天要诞生多少歌曲的海洋里面，想要被关注到，其实是一件很难得事情。

B: Yes, just search on the internet, and see who's the conductor or which version the best is. They can even find the copyright number online if they want to. The Digital Music we are talking about refers to the new pop music in this new era, which points to this part of the market which in need of popularization. God knows how many songs are created daily, so it could be extremely difficult for a song being noticed.

A: 那这个就设计到音乐平台的推广的问题。

A: Which leads to the generalization of music platform.

B: 对，当然是这样的，就包括无论是影视还是音乐这块，你一个人想当红，你都离不开炒作推广，离开这两点你音乐做的再好你都没有市场。

B: Of course, music or movie, if you want to be famous, you need popularization, or you do not stand a chance entering the market no matter how perfect your music is.

A: 那您从事音乐这个业务，您对彩铃这些业务也非常了解，彩铃属于无线音乐，因为手机终端嘛，是中国早期到现在唯一一个能达到持续盈利的数字音乐项目，不同于欧美市场，先有无限音乐出现，再开始在线音乐是一个过程。国内是同时出现的，有线音乐和无限音乐没有传统音乐的这个成熟的销售模式，没有度过这个期，在国内就相当于无限音乐拉动了在线音乐，因为从收益上来讲是这个样子的，那您对这个无限音乐与在线音乐为什么大家会愿意为彩铃付费，但是又不愿意听歌付费的。

A: So, since you are in this business, you must be very familiar with ringtones. Ringtones should be classified as wireless music because of its mobile-phone terminal, and it is the only Digital

Music project in China from early to present that can achieve sustainable profitability. Unlike the European and American markets, there is wireless music first, and then comes online music. In China, both appear at the same time. wireless music and online music do not have the mature sales model of traditional music and do not undergo the process like Western market. As a result, it seems that unlimited music “pulls” limited music in China. How do you approach that nearly everybody is willing to pay for ringtones but unwilling to pay for real songs?

B: 彩铃收益我觉得前几年比较火一点，这两年我觉得好像一般。

B: The ringtone was popular few years ago but doesn't seem to make a lot of noise in the recent two years.

A: 这些年他们主要是跟运营捆绑在一起。

A: I think now they come with service bundles.

B: 他主要是运营商，实际上来讲收益最大的是运营商，版权提供者和节目生产者获得的利益其实也很少，实际上也决定了大家慢慢的对这些东西也失去了动力，这是第一个，然后第二个，那个年代好像是属于智能机和非智能机还在交替的阶段，持续了一点点时间。智能机出现之后人们对于手机的消费习惯渐渐地发生了变化，因为移动运营商提供了流量，有流量我们可以通过浏览网页直接获取音乐，这样他们就不会想再为一首歌或者一个彩铃去花 **B:** 块钱去下载。

B: It is mainly an operator. In fact, the operator always gets the most revenue, and the copyright provider and the program produced very little benefit. It also determines that everyone slowly loses motivation for these things. It was the first, and then the second. It seemed that the era of smartphones and non-smartphones was still alternating and lasted a little time. After the advent of smart phones, people's mobile phone consumption habits have gradually changed, because

mobile operators provide data plan, and when there is data plan, we can directly access music by browsing the web, so the users don't want to spend two Yuan buying a ringtone or a song.

B: QQ 音乐是唯一一个国内比较早进行的一个版权，他的绿钻服务也算是早期的一种持续收费性的，因为他的用户基数实在是太大了，在不同的平台的用户进行捆绑在一起，比方说你买他的 QQ 会员服务他可以偶然送你 QQ 绿钻或者是让你免费听音乐，因为他的用户基础，所以进行他的产品推广各方面都有一定的优势，那么最近 QQ 音乐进行了他的“巨星定制”计划，相当于一次性的把一个明星部分的音乐，著作上的版权买断或者是说部分买断进行销售，最新的就是和王力宏签约了以后，那么他就会提供独家首发数字专辑发行，它属于音乐会专属粉丝部落和一系列的特权它属于这个明星，对于明星而言属于一站式，一步到位的推广，他签了这个 QQ 音乐以后就可以省去很多的这个东西，他只需要专心做音乐就好了，QQ 音乐帮他进行收益。

B: QQ Music is the only copyright that has been carried out early in China. Its green diamond service is a kind of sustainable subscription charge in the early stages because of its large user base. Users on different platforms are bundled together. For example, if you buy QQ membership service, it can occasionally send you QQ green diamonds or let you listen to music for free, and also because of this user base, it gains certain advantages in all aspects of product promotion. Then recently QQ Music carries out its "Superstar Customization" plan, which is equivalent to one-time buy-out or partial buy-out of a pop star's music and copyright in a single process. The latest is after signing a contract with Wang Leehom, which he agrees to provide an exclusive first digital album release on QQ music. For the fans, it can be an exclusive experience; For the star, it is a convenient promotion. After signing this QQ music, which saves him lots of troubles, he can now concentrate on making music, because QQ music can help him make money.

B: 大部分那些比较成功的三大巨头，他们本都不是专门做音乐服务或者传统唱片服务起家的，大部分都是高新科技公司或者互联网公司。

B: Most of the three successful giants did not start out as music services or traditional record services. Most of them were high-tech companies or Internet companies.

B: IT 类串过来，实际上他们也是玩烧钱的。

B: So, they were basically IT, and they have money to burn.

A: 单纯从版权音乐这块讲都没有盈利，都是在花钱。目前，对于中国而言，音乐产业的核心附加价值是开发歌手的潜在价值，也就是发展音乐家 IP 的经济价值并实现粉丝经济的价值最大化。

A: Mere music copyright generates no profit. It only costs more money. Currently, for China the core value-addition for the music industry is to develop the potential value of the singer, also known as developing the economic value of musicians' IP and to maximize the value of the fan economy.

B: 这就对了，因为，目前只有他们三家烧得起，别人烧不起。

B: That's right, because they are the only three enterprises that can afford to pay.

A: 那从长远角度来说，三大巨头现在烧钱买版权圈用户啊，那这个趋势上来讲一旦他成功收费。平常的公司他耗不起，那么这个蛋糕必然是，在没有其他突破性科技出现前，是不是可以认为市场是三分市场。

A: In the long run, they are actually throwing good money buying copyright users, and if they succeed seizing the users, they can dominate the market before any other high-end technology emerges. Do you think so?

B: 恩，也不好说。

B: I don't know about that.

A: 那你觉得有什么因素，会可能影响这个主要变动。

A: Then what factors do you think might influence this major shift?

B: 我觉得主要可能像他们持续的烧下去的话，除非他们能正在的强有的利用比如像阿里，或者利用想他的那个资金优势，但实际上运作的人，可能还是要传统，在业内运作的人来运作他，这个是最重要的，否则的话我觉得很难有收益，而且就算在很长一段时间内，就算他们是签艺人，仅仅只是签一个他们推广、歌友会，我觉得那是没有任何意义的。除非他们能像唱片公司一样直接签艺人。

B: I think that if they keep investing money in this, they need an influential partner such as Ali to fund them, and they still need traditional and professional personnel to operate in order to profit. Plus, even if they make contract with artists for popularization and lives, it won't be meaningful in the long run, unless they can sign artists like record companies.

B: 总结一下，我觉得 2000 年以后，数字化音乐让音乐市场更加的繁荣，数量多了，质量变低了，传播速度更快了，周期变得更短了，一首歌能够持续的时间更短了，回过头想想，我们那时候那个 80 年代，有的歌我们能持续一年、两年，但是现在一首歌曲的生命力好像很短，可能会马上被新的歌曲代替下来。

B: To sum up, I think that after 2000, Digital Music makes the market thrive, with a rise on quantity, a drop on quality, faster spreading speed, and shorter span (the popularity of a song dies out rather fast). Looking back, in the 1980s, we listen to some of the songs for one to two years, but now the lifespan of a song seems ephemeral, soon replaced by new songs.

A: 那您作为制作方，歌曲的寿命短，那么投入的经历和花费也会下降。一首歌你知道如果能经典 10 年，那么你的投入和经历的花费肯定是不一样的。

A: So, to producers like yourself, shorter lifespan means lower investment and cost. If a song stays popular for 10 years, the investment and cost are definitely different.

B: 实际上现实来讲普遍是在下滑，制作的水准在下滑这个不光是华语地区，包括国外也是这样的。

B: Realistically, the song quality is dropping overall, not only in China, but in foreign countries as well.

A: 因为市场的需求不同。

A: Because of different market needs.

A: 也就是说对歌星的要求也越来越低了，因为现在是技术化。

A: So, we expect less from music stars because now it's more about technology.

B: 也就是我们现在出现的歌手会那么的弱，由于技术的进步，其实质量是在下滑的，太多了，让人无所适从。

B: Which is the reason why our musicians nowadays are so unsatisfactory; although the technology improves, the quality of music drops so drastically, it's unbecoming to me.

A: 那么作为音乐制作方，你对中国数字音乐你关注的哪几个方面比较关注，或者是说对你的事业影响最直接的。

A: So, as a producer, which aspects of Chinese Digital Music draw your concern or influence you most directly?

B: 版权意识的培育，第二个就是政府的导向

B: I'd say the cultivation of a sense of copyright and disposition of the government.

B: 这个在大陆地区这块是非常重要的，因为我们所有的这块的文化的领域，离开了政府的导向或者政策性的因素那你基本上玩不来，没有办法玩的。你攒了一肚子的劲，可能

不如他的一句话，你就全盘 KO 了，这个是最重要的。你谈到的只是大陆音乐的一个部分，他是指的流行市场，也就是商业化音乐。其实在中国大陆部分的市场，一部分的市场他是与国外不一样的。

B: This can be very important in mainland China, because of our culture, you have to play by the rules of government policies. The government can kill your enthusiasm with a single statement. What you mention is merely a part of music market, the pop music market and commercialized music. You should also know that music market in China is different with music market in foreign countries.

A: 民族音乐？

A: Are you saying folk music?

B: 不能叫民族音乐，不能这么去定义。你说的民族音乐、交响乐这个是占得古典音乐去区分他。按照我们的定义，他们翻译成英语真的不好翻译，也就是我们所说的晚会音乐。我们文化需要的东西，也就是我们党文化需要的东西，这个在国外是没有的，他支持了一部分非常大的市场，至少我认识的音乐人，包括我们湖北的、北京的，可以这么说，我认识的人 90%-95% 都是在为这一个音乐来服务的。

B: You shouldn't call it folk music, or at least you shouldn't define it so. Folk music you mention cannot be classified like classical music or orchestra music. In our definition, it's hard to give it an accurate English term but think of it as something close to festival music. What our culture needs is what the communist party needs, and it's China-only, which make up a bulk part of the market. Musicians I know, who are from Hubei and Beijing, 90% to 95% of them serve this musical purpose.

A: 是因为这个音乐行业的音乐人他的收益直接确保。

A: The profit is definite and direct in this part of the market.

B: 他可以根本的养活你，正常的唱片公司是不确定的，因为现在流行唱片不挣钱，所以他们要弄些其他的。所以现在纯做技术的音乐人来讲的话呢，你真有技术你做晚会很有保障的事情。

B: This alone can earn you a living, unlike all the uncertainties in normal record companies. Pop records are not profitable, so people have to find other channels. Technical speaking, you always have a secure career as long as you have the ability.

A: 所以总结一下来说，中国的数字音乐在流行音乐方面来说，这个不管是制作方还是音乐人本身，大部分不是靠版权的收益和音乐本身的收益来进行收入。

A: So, to sum up, pop music in China, regardless of producer or musician, music itself and copyright do not make up a major part of the income.

B: 他是靠演艺。

B: Yes, but through performance.

A: 比如说有其他的渠道，不管是靠周边的产品啊，演唱会，现场的 live show 啊，或者是其他的打响他的知名度，通过代言啊。二流明星到一流明星的代言费的增长啊，其他的渠道进行创收。而普通的真正的以版权，或者以音乐本身的进行创作收益，在中国特有国情，晚会音乐能确保音乐人实际利益的。

A: Such as other channels like peripheral products, performances, live shows, or gain popularity through other ways like endorsement. Ways such as the increase of endorsement fee from second-tier star to first-tier star and creative incomes through other channels. Though I believe that genuine copyright and music itself can generate profit and secure the right of musicians in China sooner or later.

B: 对，只有这一块才能确保，因为这块他有预算，有经费。因为例如通过一个晚会做一个主题，你是没办法用几块钱我在世上能买到的，买不到。必须需要你去创作，制作，尤其是年终，大的一些企业的庆典、年会，这个是来自老百姓的消费，这个消费市场还是很大的，包括朗诵也好，年终的话我这边的事情就会相对的多谢。这也是一个音乐消费市场，他也需要高质量，但是他不知道怎么做，他想唱一个歌，然后他发了一个伴奏品质，我发现完全没法用。我再来帮他想办法，慢慢的有些朋友就理解了，原来做音乐是一个很不容易的事情，他们明白为什么要去在这个中间花这一个钱，如果他不知道你这个音乐怎么制作的，他就会觉得下载就可以了。他们没有特别需求的话，仅仅当做一个消遣，那么没有什么特别的功能需求了，那么什么音乐都可以。

B: Yes, and only through this way can it be secured, because they have funds and budgets. For instance, establishing a theme for a party. You cannot purchase creativity because the only way is through artistic creation and production. Especially, New year festivals and parties in big companies which include poem readings and such, which are established by people and have a large music market. They need high-quality music but don't know what to do; For example, a person wants to play a song at a party and sends me an accompaniment music sample, but I find out that the music is unusable due to its bad quality. If they don't have any specific needs and only consider music as a leisure activity, then any kind of music would suffice.

A: 那么就涉及到老百姓对音乐制作缺乏认识的，所以他们无法认识这个音乐代表的价值，就像我们不知道音乐一步步是怎样诞生的。

A: This has to do with people's lack of knowledge of music production because they do not know the value music represent, just like we don't know how music is made.

B: 我并不奢求所有的人都去了解，就像我不可能了解所有的行业一样，别人也没有必要

去了解音乐，音乐行业太多了，音乐和所有的文化产业是一样的，需要尊重脑力劳动。脑力劳动他们就认为没有成本，其实是这么一个概念。

B: I don't expect them to understand, just like I cannot fully understand other fields. It's not necessary for them to understand because there are just so many fields in the music industry; like other cultural production, a creative mind in music needs to be respected. In people's concept, creativity has no cost.

A: 根本上来说是一个消费意识的问题。

A: At the core, it's a problem of consumer awareness.

B: 还是一个消费意识的问题，因为他需要人经济到一定层面的，他才会有这样的一种认同，比如我过年前跟他们收益比较的大的企业沟通的时候觉得你这个伴奏品质差了，你会怎么样。他会理解，因为当他的经济层面达到一定程度，他的眼界，包括他在精神消费的领域，他才会有一定层面。如果说你跟一个经济层面很普通的人去谈这个东西的消费，很难。

B: Yes, because this awareness requires a certain degree of economic level so that the identification can emerge. Before New Year, I went to some of the companies with a relatively high profitability and told them the quality of your accompaniment music is bad, and they acknowledged it, for they reach the economic level so that their perspectives are different. It's hard to talk to someone with mediocre economic level about this matter.

A: 这个就是一个长久需要时间解决的问题。

A: This is a problem that takes a long time to solve.

B: 对，这个是需要很长的时间去解决的问题，不是说通过一个措施一个什么样，所以为什么我们还做晚会音乐，就是因为他在长久的情况下形成了一个固定环境下的市场，你

到了年终，各级政府单位，做晚会吧，各种节日，大型的国家举办的文化活动，你的乐团都需要这种文化产品，这块他是有良好的收益保障的。至少有市场，这个市场后期就像我们排演一个剧目他有没有人看，那也是到后期的剧目推广，那就牵扯到。

B: Yes, this is a problem that takes a long time to solve, not to say what kind of measures are adopted. Why do we still do party music? because it has formed a market in a fixed environment under long-term conditions. When you reach the end of the year, government units at all levels have parties, various festivals, and cultural events organised by large countries. Your orchestra needs this kind of cultural product. It guarantees a good income. At least there is a market, and in the later stage of this market, we are rehearsing a play. Has anyone watched it? It is also the promotion of the later stage.

A: 相当于出品人本身的收益问题。

A: It has to do with the issue of the producer's own income.

B: 对。

B: Yes.

A: 可能涉及到我国的国情，他有些晚会并不是以创收为目的，为了宣扬文化精神而目的地。

A: It may be related to the national conditions of our country. Some of the parties are not aimed at income generation, but in order to promote the cultural spirit.

B: 就像今年的春晚一样。

B: Like this year's Spring Festival Gala.

B: 不好说，首要问题还是国家层面的问题。

B: I don't know, but the first issue is still the national issue.

A: 就是还是要有政策相关扶持数字音乐才能发展。

A: It is necessary to have policy-related support for Digital Music to develop.

B: 但是这个扶持我觉得很有限。影视这一方面为什么能相对的而言能出来，因为影视他有一个消费场所。为什么我的电影我可以盗版，为什么还有人花钱去电影院去看，因为你的感受不一样。而音乐，这恰好又是他最大的问题。比如说几乎所有的电影，只要你等半个月到一个月，你觉得可以看得到可以下载的版本，在中国是绝对没有问题，但是为什么还有人去电影院去消费，实际上电影院是给了你一个观影以外的一个综合体验。比如情侣，这是一个社交场合，你也可以去感受电影的视听感觉，但是音乐做不到，如果说音乐也能，那也只有是演唱会了。

B: But I think this support is very limited. The reason why film and television come out relatively easy is because film and television have a place consumption. Why do people go to the cinema if they can watch pirate movies for free? It's because the cinema offers a different experience. Music, on the other hand, does not have a place of consumption. In China, for example, for almost all movies, as long as you wait for half a month to a month, you can see the downloadable version on the internet. Again, why do people go to the cinema? It's because a comprehensive experience beyond movie viewing is offered in cinema. For example, to couples, cinema is a place to hang out. You can also experience the audio-visual experience of the movie in the cinema, which music cannot offer. The only possibility of music offering this kind of experience is at live shows.

A: 现场音乐秀。

A: live music performance.

B: 对，唯一的的就是演唱会，除此之外的话，卖唱片的版税的话，有点像卖正版电影碟的

状态，你觉得正版电影碟好卖吗？肯定不好卖。

B: Yes, the only way is through live shows. The copyright income of selling records is like selling genuine movie disc, which is definitely not profitable.

A: 几乎大家不会去消费。

A: Few people purchase them.

B: 对，为什么呢，因为买个正版的 DVD、VCD、蓝光谁会去看，花钱去买？不会。那么数字音乐也是这样一个问题，因为人需要的是视听感受，而不是单纯的听觉感受。如果是听觉感受，那么他就要看表演，既然是表演的话，他就需要演绎、演唱会这一块。究其根本来讲的话，绕了一圈又绕回来了，还是这样一个问题。没人愿意为这个东西买单。

B: Yes, because no one would pay for genuine DVD, Blue-ray, or VCD. Same for Digital Music; people need audio-visual experience, not only audio experience, and to do so, one must go to a concert to see the performing part of music. So, back to the original point, it's still about the same issue. No one would pay for this.

Interview 12. (18 Aug. 2016)

艺术家“独立”的趋势抑制了音乐平台向上整合的能力

The trend of the head artist "independence" inhibits the ability of music platforms to integrate upwards.

在高昂的版权费用负担下，主流中国音乐平台希望通过集成上游内容来避免高昂的版权费用。阿里（Ali）收购泰和麦田（Taihe Wheatfield）就是一个很好的例子，但效果不如预期。其他平台也提出了有关“寻找原创音乐人”的相关计划。由于这些音乐家或多或少具有艺术家的特质，无论独立音乐家能为平台带来多少价值，他们都倾向于拒绝过度的商业化，并希望对其音乐拥有绝对的控制权。同时，为了避免唱片公司的高额佣金，许多音乐家在成名后经常离开以前的唱片公司，并建立自己的独立录音室或公司，只出售其唱片的发行权。

Under the burden of high copyright costs, mainstream Chinese music platforms intend to avoid high copyright expenses by integrating upstream content. Ali's acquisition of Taihe Wheatfield can be a good example, but the effect is not as good as expected. Other platforms have put forward related plans about "in search for original musicians". No matter how much value the independent musicians can bring to the platform because these musicians have more or less the traits of an artist, they tend to reject excessive commercialization and hope to have absolute control over their music. At the same time, in order to avoid the high commission of record companies, a lot of musicians often leave their previous record companies after becoming famous and set up their own independent studios or companies, which only sell the distribution rights of their records.

在经济和艺术的双重考虑下，首席歌手经常选择将唱片的版权和经纪权归自己所有。唱

片公司只能从知名艺术家处获得唱片发行权，并可以从不太知名的艺术家那里获得唱片的版权和经纪权。更不用说议价能力较弱的数字音乐平台了，因为它们通常在上游集成方面表现出明显的能力。因此，上游集成的作用非常有限，并且不能从根本上降低内容成本。降低版权成本的关键始终是提高平台本身在产业链中的议价能力。当前音乐流媒体平台的潜在问题是外部收入增长的空间有限，内部版权的成本仍然很高。以高昂的版权成本为代表，这些潜在问题在最近几年呈爆发式增长的迹象。为了实现进一步的发展，音乐平台需要找到解决这一难题的方法。

Under the dual considerations of economy and art, the head artist often chooses to hold the copyright and brokerage rights of the record to himself or herself. The record company can only get the right of record distribution from the well-known artists, and the recording copyright and brokerage rights of the not-so-well-known artist. Not to mention the case for Digital Music platforms with weaker bargaining power, because they often show evident ability on upstream integration. Therefore, the role of upstream integration is very limited, and it cannot reduce content costs fundamentally. The key to reducing copyright costs is always to improve the bargaining power of the platform itself in the industry chain. A potential problem with current music streaming platforms is that there is limited room for external revenue growth and the cost of internal copyright remains high. Represented by the high cost of copyright, these potential problems have shown signs of a burst in recent years. In order to achieve further development, music platforms need to find a solution to this dilemma.

所以我们腾讯公司对数字音乐发展就要做到自己能生产音乐。QQ 音乐致力于发展音乐上游产业。

Therefore, we must be able to produce music by ourselves. QQ Music is committed to

developing the upstream industry of music, the creation of songs.

边界消融的新时代

New era of thinner border

互联网革命的浪潮席卷各大传统行业，被信息技术“攻占”的世界里，行业、产业、业态的确不再有边界，他们通过边界消融、跨界融合、互相渗透、合并重组等步骤建构新的话语权。行业各个要素在融合与碰撞之后进行重塑，广泛的资源获得重组与聚合，生活生产与消费之间的关系被颠覆，同时产业间多元形态以跨界融合的形式演进，这些现象都将逐渐推动经济领域跨入“零边际成本”与“共享经济”社会。为了迎合当今的市场，传统行业重要发展目标之一是实现向新兴产业的转型，而对于数字音乐企业来说，重要发展目标则是将创新成果借助产业的跨界来实现要素聚合，并活跃于经济社会各领域之中。总体而言，传统行业正积极向互联网企业伸出“橄榄枝”，互联网企业则不断借助传统企业的力量，行业边界日益模糊，产业的跨界融合已成为新时代产业发展下最为显著和关键的特征之一。

The wave of the Internet revolution has swept through major traditional industries. In the world "captured" by information technology, industries, industries, and business formats do not have boundaries anymore. They construct new ones through steps such as border elimination, cross-border integration, mutual penetration, and reorganisation the right to speak. Various elements of the industry are reshaped after integration and collision, extensive resources are reorganised and aggregated, the relationship between production and consumption is subverted, and the multiple forms of inter-industry evolve in the form of cross-border integration. These phenomena will gradually push the economic field to enter a "zero marginal cost" and "shared economy" society. In order to cater to today's market, one of the important development goals of traditional

industries is to realise the transformation to emerging industries, while for Internet companies, the important development goal is to use innovation across industries to achieve factor aggregation and be active in the economy and all areas of society. In general, traditional industries are actively extending the "olive branch" to Digital Music companies, while Internet companies continue to rely on the power of traditional companies, and industry boundaries are becoming increasingly blurred. Cross-border integration of industries has become the most significant and critical feature of industrial development in the new era.

总体而言,与当前的技术发展速度相比,全球大多数数字音乐模型都无法跟上市场需求。由于技术的飞速发展,消费者对在线平台的期望越来越高,例如中国,移动网络和智能手机的普及率很高。所以数字音乐产业的发展,都有横向发展的趋势,即兼并其他产业来从其他方面暂时满足消费者需求。数字音乐产业的跨界融合具体表现为,产业之间界限趋于模糊,行业之间不断交叉渗透,因其出发点和集聚形式的差异,而呈现出不同形态。这里包含两个层面的含义:第一,跨界融合指的是文化产业内相关要素的融合,主要表现为文化、品牌、创意、资本、渠道等文化产业内部要素集聚创新的融合发展模式;第二,跨界融合指的是数字音乐各门类之间的融合,比如传统行业与新兴行业突破原有产业边界进行合作,或是产业链中企业之间“横向”同类型企业与“纵向”上下游企业之间的合并重组等,目的主要是通过延伸产业链的方式进一步深度优化与重组产业资源,从而提高行业核心竞争力并完美适应市场需求。

Overall, compared with the current speed of technological development, most Digital Music models worldwide cannot keep up with market demand. Because of the rapid growth of technology, consumers' expectations for online platforms are getting higher and higher, like

China where penetration of mobile networks and smartphones is very high. Therefore, the development of the Digital Music Industry has a trend of horizontal development, that is, mergers with other industries to temporarily meet consumer demand from other aspects. The cross-border integration of the Digital Music Industry is specifically manifested in the blurring of boundaries between industries and the continuous mutual-penetration between industries. Due to the differences in their starting points and forms of agglomeration, different forms have emerged. There are two levels of meaning here: First, cross-border integration refers to the integration of related elements in the cultural industry, which is mainly manifested in the integrated development model of cultural industry's internal integration of factors such as culture, brand, creativity, capital, channels. Second, cross-border integration refers to the integration between various categories of Digital Music Industry, such as traditional industries and emerging industries breaking through the boundaries of the original industry to cooperate, or the merger and reorganisation of "horizontal" (similar enterprises) and "vertical" (upstream and downstream enterprises). The merge and reorganisation between upstream and downstream enterprises are mainly aimed at further in-depth optimisation and reorganisation of industrial resources by extending the industrial chain, so as to improve the core competitiveness of the industry and perfectly adapt to market demand.

在中国独特的环境下，数字音乐形成多元化的音乐产业链，并在此基础上使产业链各个环节进行有效的协作和互动，逐步形成一个完整的生态商务系统。

In China's unique environment, Digital Music forms a diversified music industry chain, and on this basis, various links in the industry chain effectively cooperate and interact to form a complete ecological business system gradually.

Interview 13. (21 Aug. 2016)

数字音乐销量整体回暖，用户消费意愿显著增强，但平台付费率增长不及预期

Digital Music sales are picking up generally, and users' willingness to consume has also increased significantly, but the platform payment rate growth fails to match the expectation.

宏观层面上，根据腾讯音乐招股书的数据显示，自 2013 年至 2017 年，中国数字音乐销售市场的年复合增长率为 82.1%，2017 年总规模为 47.7 亿元，是 2013 年的十一倍。

On a macro level, according to our data from 2013 to 2017, the compound annual growth rate of China's Digital Music sales market was 82.1%, and the total size in 2017 was 4.77 billion Yuan, which was 11 times the amount of 2013.

近年来专辑销量的回暖表明目前我国音乐用户的消费意愿已经恢复至互联网盗版冲击的初期，相比前几年有了巨大的提升。

The rebound in album sales in recent years indicates that the Chinese music listeners' willingness to consume has returned to the early phase of the impact of Internet piracy, which is a huge improvement comparing to previous years.

QQ 音乐具备多平台优势，与腾讯旗下的社交网络平台包括 QQ、QQ 空间和微信社交平台，以及腾讯大受欢迎的“兴趣部落”无缝对接，为用户（特别是年轻的音乐粉丝）提供最优质的音乐播放体验，使其形成对平台的高度“黏性”。得益于其规模庞大、参与性高的忠实音乐粉丝社群，QQ 音乐正快速发展“粉丝经济”，通过从数字音乐专辑销售，到小型演唱会和音乐颁奖典礼等在线和线下活动，促进购买和变现机会。

Superior to its competitors, QQ Music serves users across a multiplicity of online platforms, particularly those social networking platforms operated by Tencent including QQ (online chat software), QQ Zone, WeChat (instant messaging app), and the highly popular online community ‘Theme Tribe’. Thanks to its seamless integration with these platforms, QQ Music provides its users, especially young music fans, with excellent music broadcasting experience, which in turn leads to users becoming habituated to it. Having benefited from its massive music fans community and fans’ active participation, QQ Music is rapidly developing its ‘fans-based economy’, which creates increasing opportunities for realising the commercial value of music through a variety of on and offline activities such as music albums sales, mini-concerts and music awards.

QQ 音乐软件至少每年更新五次

QQ Music software has been updated five times per year at least.

中国的移动互联网创新已经在全球领先，基于庞大的用户需求和手机企业的蓬勃发展，中国在移动支付、共享经济等领域出现了大量独步天下的应用和服务。

China’s mobile internet innovation has taken the lead worldwide. On account of the great user demand and rapid development of mobile phone businesses, China now boasts a great many apps and services that play a dominant role in areas such as mobile payment and sharing economy.

QQ 已经收集了至少十亿用户的关系网络,黏性的海量用户数据让 QQ 客户端牢牢占据用户桌面终端。QQ 用户数几乎和中国网民相当，而具备黏性的海量用户数据将确保 QQ 这一工具的长期稳定存在，随着用户数的扩张和影响力的增强，竞争对手将越来越难以动，竞争优势将进一步扩大。QQ 对用户桌面终端的长期占有，无疑为 QQ 音乐的扩张以及相关新业务的快速拓展提供了最佳途径，而这将形成对竞争对手的不对称竞争优势。

QQ has collected at least a billion users' relationship networks. The gargantuan user data acquired by QQ means that the QQ software has gained a solid foothold on the desktop of QQ users' devices. The number of QQ users is almost as large as that of Chinese netizens, whose habitual behaviour online will continue to ensure their long-term dependence on the QQ software. With its ever-increasing number of users and influence, it will only become more difficult for its competitors to stack up against it, which will further contribute to QQ's competitive advantage. Undoubtedly, the sustainable and strong foothold that QQ holds on its users' desktops considerably facilitates the fast expansion of the QQ Music and new business-related, resulting in QQ's asymmetric competitive advantage.

QQ 用户天然的社会网络属性让腾讯拥有中国最全的互联网用户关系链数据。海量用户数据在量上形成优势，而具备社会网络属性的数据其意义更加非凡。粗略估计，QQ 至少拥有数十亿条用户关系链。庞大的关系链数据为腾讯的海量数据挖掘、精确营销、用户细分、市场细分及 SNS 类业务拓展提供强大支持，而中国没有第二家互联网公司拥有如此资源，这将极大提升腾讯基于用户网络属性的产品研发和业务推广，形成对竞争对手的绝对竞争优势。

Since QQ is in nature a social networking instrument, its massive user base provides QQ with the most complete database of online users' relationship networks in China. The single quantity of data per se is a great advantage, and it is even more extraordinary when combined with the data's attribute being social networking. At a rough estimate, QQ has collected at least a billion users' relationship networks. This offers Tencent substantial support for massive data mining, precision marketing, user segmentation, market segmentation, and business expansion of SNS (Social Network Site). However, no other internet company in China has these resources. This

will enhance immensely Tencent's product development and business promotion that is grounded in users' social networking attribute, giving rise to its absolute advantage over its competitors.

在过去的十年中，QQ 音乐已进行了 60 多次版本更新和改进

QQ Music has made more than sixty version updates and improvements during the last ten years.

腾讯非常擅于把握网民需求，他们总是能通过各种途径与网民接触，像内部完善的数据挖掘分析、用户调研、CE 平台、产品博客等等。这是一种用户需求与产品体验的极致挖掘能力。而且腾讯总是能够通过产品线的延伸、渗透与整合创造出更丰富的用户需求。

一直以来，腾讯的产品几乎都在重复着这样一种模式：复制、改进、超越，腾讯似乎总能比竞争对手做得更好。在腾讯内部听到最多的一个词就是“体验”，腾讯对产品的专注让他们长期以来形成了一种对用户体验的极致挖掘能力，CEO 马化腾亲自担任首席体验官，他们不放过每一个细节，而正是通过这种对用户需求与体验的极致挖掘，所以 QQ 音乐用户渗透率已达到 40.7%，远超第二名，在移动音乐时代到来之后，QQ 音乐与微信、手 Q 等平台深度融合，进一步发挥产品驱动优势。

Tencent is well versed in grasping netizens' needs, as its teams can always reach netizens through various means such as its sound data mining analyses, user surveys, the CE platform, and product blogs. This shows Tencent's superior competence in exploring users' needs and experiences of products and in creating more user needs through the extension, promotion and integration of existing product lines. All along Tencent's products have followed the same model, namely copying, improving and surpassing, and Tencent appears to be always better than its competitors. The word one hears most inside Tencent is 'experience', and Tencent's dedication to its products is what has been driving the enhancement of its competence in exploring user experience to the

full. Since Mr Tenghua Ma began serving as Tencent's CEO, he and his teams have been paying meticulous attention to every detail of their products. It is their utmost effort in exploring user needs and experience that has made the penetration rate of QQ Music users arrive at 40.7%, far ahead of the company that comes second. Since the advent of mobile music, QQ Music has deepened its integration with other platforms such as WeChat and Mobile QQ so as to fully exploit the potential of existing products to generate new business opportunities.

Interview 14. (25 Aug. 2016)

腾讯的核心竞争力 Tencent's core competitiveness

腾讯在即时通讯服务领域已经独占鳌头，10 亿注册用户，最高同时在线 1 亿，如此庞大用户是它得天独厚的竞争力。

Tencent tops the list among providers of instant messaging services. Essential to its strong competitiveness is its 1 billion registered users and 100 million concurrent users at its peak, giving Tencent an exceptional advantage.

我们的主要目标是增加客户体验，而不是赚钱。

Our main aim is to increase customer experience rather than making money.

腾讯的帐号体系及等级体系相当完善，除了 QQ 帐号本身是腾讯的核心产品及稀缺资源外，各种帐号的等级体系也大大促进了用户消费能力，进一步激励用户复合型消费。

Tencent boasts a rather comprehensive account number of system and membership ranking system. In addition to QQ number, which is Tencent's core product in scarcity, the ranking system of various account numbers has also greatly enhanced users' consumption potential and further stimulated composite consumption.

金融体系：腾讯的虚拟流通货币 Q 币、支付系统财付通已经形成了虚拟的金融环境，Q 币的用途主要用于购买 QQ 软件及周边服务，这个虚拟的金融体系完善并推进了腾讯产业链的成熟。

Tencent's financial system: Tencent's virtual currency, Q coin, and its payment system, Tenpay, have constituted a virtual financial system. Q coins are primarily used to purchase QQ software and related periphery services. This virtual financial system has promoted the development of Tencent's industry chain.

数字化内容的增值服务：腾讯最大的收益来源于互联网增值业务，占据其公司总收入的80%以上，腾讯是少数几家能够成功的在互联网数字化内容增值服务上收费的服务提供方。

Value-added services of digitalised content: Online value-added services are Tencent's largest source of profit, accounting for over 80% of its total income. Tencent is one of the few providers of value-added services of digitalised content who can make a profit.

每千听众来自音乐剧的广告收入仅能为中国市场的音乐平台带来约1元的收益。

Advertising from music play per thousand listeners only yields about 1 yuan of revenue to a music platform in the Chinese market.

IP内容被定为腾讯的两大战略之一,怎么样理清楚庞杂的内容中错综复杂的关系,是产品的重要竞争力,也是作为产品管理的核心的问题之一. 内容管理是一条有迹可寻的链条, 尽管不同平台内容各有差异,但离不开的是三步策略: 内容生产、入库管理、内容推荐。

The management of intellectual property (IP) is regarded as one of Tencent's two major business strategies. A clear understanding of the complex relations among and between multifarious content is vital to the competitiveness of the product and also a core issue in product management.

The management of content is not without thread, though it varies on different platforms. A three-step-strategy including content production, content storage management, and content recommendation for users is essential.

内容生产:源头

Content production: Fountainhead

如何生产内容是一切故事的开始, 也许早期的时候雇佣一个编辑从海量的互联网搜索内容然后搬运到自己的平台上, 就完成了自己平台的内容构建.但是这种模式随着商业和法

律的完善必定走不下去的，自己从头开始合法合规地搭建内容生产体系才具有持久发展的可能性。

How to produce content is the beginning of the story. Early on, the establishment of one's online platform may only rely on an editor who moves massive content on the internet to one's own platform after some online search. However, with the improvement of business and legal environment, this model has no future. Only by honestly constructing a system of content production will it promise sustainable development.

UGC 是互联网尤其是 web2.0 以来最重要的果实，可以说互联网的发展史就是 UGC 的发展史，我们现在离不开的博客、论坛、社区、自媒体都是 UGC。

User-Generated Content (UGC) has been the most important achievement since the birth of the internet, particularly web2.0. It can be said that the development history of the internet is the development history of UGC. The platforms indispensable to our everyday life such as a blog, online forum, online community, and self-media all share the nature of UGC.

撬动用户为平台来生产内容是非常难做的一件事情，但如果成功建立了 UGC 机制也会让产品走向正循环。UGC 的核心问题是如何构建用户激励机制，让用户生产内容。

It is rather difficult to motivate users to produce content for the platform. Yet once a UGC mechanism is established, content production will be set in a virtuous circle.

PGC 是传统行业最重要的内容来源，它要求产者在该领域具有专业的能力和知识。PGC 内容适用于对专业性有要求、门槛较高的平台，例如视频节目、优质电台节目、大众音乐平台，只有专业人士才能生产出用户喜爱的内容。

Professional Generated Content (PGC) is the most important source of content in traditional industries, which requires professional competence and expertise of the content producer. PGC

fits platforms that have a high threshold and require expertise, such as video programs, quality radio programs, and popular music platforms, for which only professionals can satisfy users' expectation.

外部转载

Reproduction of external content

这似乎是最轻松的内容生产方式了，蛮荒时代有许多企业便是通过这种方式轻松地累积了大量用户.目前版权保护和侵权打击逐渐加强，任意抄袭转载不再会如此猖獗.但并不是说这种渠道已经不再可行，通过正规渠道联系授权得到作者许可，还是可以转载外部的内容的，不过这是一种不稳定的内容生产方式，只能在早期的时候解决内容缺乏的问题，长期而言必须要有自己稳定的内容生产来源.

This seems to be the most effortless way to produce content, which many businesses resorted to at the outset, accumulating massive user bases. With more measures in place to protect copyright and combat infringement, plagiarising and reproducing at will is on the decline. However, this does not mean that this means of content production is no longer feasible. Reproduction of external content is doable if author's permission is obtained properly. The downside of this means is its instability in content production. It may only serve as an expedient to content scarcity at the early stage, as long-term development necessitates a steady source of content.

PGC 方式生产内容，坚持正版化道路

PGC as means of content production in support of copyright.

音乐行业是受盗版影响最深的行业，几乎被摧毁，音乐人从音乐作品上基本得不到应有的回报，只能从其他地方赚取收入，所以整个行业每况日下.在这样的背景下，QQ 音乐逐渐走向了版权为王的管理方式.音乐平台的根基是内容，也就是音乐作品，QQ 音乐首

要解决的问题也正是建立稳定的内容生产来源.由于音乐制作门槛非常高，内容生产方式几乎都是 PGC，QQ 音乐与国内外的几大唱片公司签订了版权协议，把音乐行业拉向正版化.其实这也是正向循环的必备基础，正版化使得音乐人得到利益回报，才能继续生产高质量的内容，如此以往，音乐人、平台方和用户三者都受益.

The music industry has suffered the most from and was almost crushed by piracy. Musicians can hardly gain the reward they deserve, and therefore have to make a living elsewhere. This has led to the industry on the slide. In this context, the QQ Music has made efforts to develop its management system that prioritises copyright. The cornerstone of music platforms is its content, i.e. pieces of music. The top priority for QQ Music is the establishment of a steady source of music. Music production has a high threshold and requires PGC to be its primary means of content production. For this reason, the QQ Music has signed copyright transfer agreement with some record companies both home and abroad, aiming to promote copyright in the music industry. This is in fact a prerequisite for the music industry to run in a positive circle. Ensuring copyright enables musicians to gain profit and reward, which allows them to sustainably produce music of high quality. This then benefits all three parties involved - musicians, platform providers, and users.

在 2012 年前，市场上的音乐大部分都是盗版的。

Before 2012, most of the music on the market was pirated.

入库管理:管理海量内容的基建工程

Content storage management: Infrastructure construction for massive content

内容少是烦恼，内容多其实也是烦恼.海量的内容并不是随意堆砌在一起就可以的，如果没有良好的结构把海量内容保存起来，所有内容都是一堆无法使用的“垃圾”.就像宜家的

库存管理一样，内容同样是需要入库管理的。

It is vexing too when there is too much content, as massive content cannot be simply piled up together. All content would be a pile of 'garbage' that is hardly of any use if there is not an appropriate structure for content storage. Just like the stock management in IKEA, content also needs to be stored properly.

结构化信息处理

Processing of structural information

一个产品的内容一般式具有相似性的，也即可以抽取其中的结构化信息，以便机器的保存和运营人员的管理。以音乐为例，音乐的直观表现形式是歌曲，进一步分解之后，一首作品的结构化信息有：演唱者、唱片公司、专辑名称、发行日期。对于音乐作品，运营人员并不是把音频文件一股脑地塞进硬盘里就完事，而是需要花费不少的精力做好结构化信息的抽取。所以在产品还未启动的时候，就要考虑清楚未来的内容是什么样的结构，然后设计合理的内容管理系统。良好的信息结构是未来的内容推荐的基础。

The content of the same products usually has some similarities, which enables the extraction of its structural components, making it convenient for machine storage and operators' management of content. Take music as an example. Music is expressed in the form of songs, and the structural information of a song including singer, record company, album title and release date can be extracted. Operators cannot simply pile audio files in the hard disk, but rather, it takes much effort to extract relevant structural information to properly store music work. Thus, it is of much importance to think over the structure of the content before the launch of a product. This lays the foundation for an appropriate design of content management system. Content recommendation for users in the future also relies on well-structured content.

分类体系

传统行业最成熟的分类体系是图书分类，几乎全世界图书馆用的都是统一的一套分类体系。而互联网时代最成熟的则是电商平台，如果有耐心拆解它们的结构，会发现高达数千种大大小小的分类。

Categorisation system

The most full-fledged categorisation system in traditional industries is the categorisation of books. Almost all libraries worldwide use a uniform system for categorising books. While in the age of the internet, the most developed categorisation system is on e-business platforms. With some patience with analysing the structure of these platforms, one can easily see that there are thousands of categories at various levels.

分类是便于用户进行内容筛选的一套规则，当内容多起来的时候，用户必定只能选择自己感兴趣的内容来消费，分类就是提供这么一个选择的入口。相似内容最好用统一的分类规则，例如电商、音乐平台几乎都是同样的分类，一来是尊重用户习惯，减少用户学习成本，二则是遵守行业规范，减轻运营人员的工作负担。

Categories are rules that help users to screen out unwanted content. Users would most certainly select and purchase the content in which they are interested in front of a wealth of content. Categories serve as a portal in this case to offer users options. It is wise to use a uniform system to categorise similar content. On e-business platforms and music platforms, the same categorising system is employed, for example. This first pays respect to users' habits, reducing users' habituation cost. Second, by doing so platforms abide by norms and standards of the industry, thus easing the burden of operators at work.

标签体系

分类体系大多是稳定的，行业内的各方约定俗成，有人可能会反应过来这不是一套灵活的体系。例如在分类体系中，一个内容最好只属于一个分类，这样用户遵循特定的路线就一定会找到它。而标签则会更加灵活，同一个内容可以有多个标签并且在搜索的时候只要命中其中一个标签都可以找到它。目前流行的个性化推荐系统，例如豆瓣 FM 的猜你喜欢、亚马逊的为你推荐，几乎都是基于标签系统，而不是分类。国外音乐平台 Pandora 为了完善个性化音乐推荐，聘用了大量音乐专业人士为每首歌打上许多个标签，帮助 Pandora 优化推荐结果。

Tagging system

Most categorisation systems are stable, as they are developed by stake holders according to the common practice in the industry. Yet, some might say these systems are not flexible. For example, particular content should be linked to only one category in a system, which provides users with an exclusive thread to find the content. Tags, however, are more flexible. Particular content can have several tags and thus can be easily found insofar as users search one of these tags. These days, almost all the most popular personalised content recommendation systems such as ‘Guess You Like’ on Douban FM and Amazon’s Recommendation system rely on tagging instead of categories. Pandora, the music platform, employs a great many music professionals to put a number of tags on each song so as to help optimise Pandora’s recommendation and perfect its personalised music recommendation system.

中国最大的曲库管理实践

目前 QQ 音乐曲库已经达到 1500 万首，是国内最大的曲库。面对如此巨大的曲库，QQ 音乐配有专门的入库团队和自动化处理程序，如前面所述，一首歌曲的演唱者、专辑名称、发行日期、曲风、分类等等几十个结构化信息都会在入库的时候就处理好，采用人工加

程序两种方式，完善的结构化信息是后期内容推荐的基础。

Management of China's biggest music library

To date the QQ Music library has collected up to 15 million songs, the biggest in China. To manage such a large music collection, the QQ Music has a specialised music entry team and automatic processing program. The structural information of a song as above mentioned such as singer, album title, release date, style and relevant category is properly processed both manually and by programming at the stage of entry. A complete set of structural information is the basis for content recommendation later on.

内容推荐：用户喜欢与否，成败在此一举

Content recommendation for users: Success or failure

前面所说的两个策略都是幕后完成的，用户一般无法直观的体会到，那么内容推荐则是直面用户的一道程序。以结果导向而言，不管其他流程做得多么出色，如果给用户的内容推荐没做好，其他都是白搭。

The two strategies discussed earlier are completed behind the scenes, of which users do not have a first-hand experience. Content recommendation, however, directly communicates with users. From a result-oriented perspective, it is all for nothing if content recommendation is flawed, regardless of how excellent the other stages have been carried out.

热门推荐

热门推荐是一种省力而讨巧的推荐方式，但是对于大量用户和海量内容并不是好的推荐方式，它的最大弊端在于“马太效应”，导致几乎一成不变的内容。最常见的是“排行榜”形态，作为一个内容平台，这是一个必不可少的模块。前面说到用户行为是趋同的，因此导致的结果是热门的东西也总是相似的。在热门、排行榜的影响下，很多新的内容无法呈现

给用户.所以它只适用于早期阶段,在产品成熟起来之后则应该退而成为一个产品模块即可.

What's Hot recommendation

What's Hot recommendation is a labour-saving and smart way to recommend content, yet it is not as good as one expects when it comes to a massive user base and a wealth of content available. Its worst defect is the 'Matthew Effect' involved, which results in the recommended content being stereotypical. The most common is the 'ranking list' phenomenon. It is true that ranking lists may be an indispensable section on a platform, but due to the fact that users' behaviour tends to become similar, content on What's Hot also tends to homogenise. Under the influence of What's Hot and ranking lists, much of the new content is deprived of the opportunity to be presented to users. This is why What's Hot recommendation is only suitable for the early stage and should be downplayed as a module of the product after the product is well developed.

编辑推荐

随着用户增长和内容数量增加,“编辑推荐”的形式会逐渐重要起来,其逻辑是基于平台对于自身运营人员能力的自信,认为官方编辑推荐的内容是用户喜好的.当然推荐的内容不完全是运营人员的主观判断,而是基于数据分析、用户反馈的推荐.

Editor's Choice recommendation

With the increase of user accounts and content, Editor's Choice will gain greater importance in the content recommendation. Based on increasing confidence in the competence of its own operators, the platform considers the editor recommended content to be appealing to users. The Editor's Choice is not entirely contingent on the subjective judgement by operators themselves of course, but rather, it is based on the analysis of data and users' feedback.

编辑推荐内容一般而言是新鲜的、优质的，弥补热门排行推荐的不足。一个理想的正向循环是，编辑推荐优质内容，增加曝光，进而成为热门排行榜的内容，在此循环下，平台上的内容是流动性的，新鲜、优质内容得以曝光，并且热门内容会不断轮换。

Content recommended by editors is usually new and of high quality, thus serving as a remedy to the defect of What's Hot recommendation. The ideal virtuous circle of content recommendation is that editors first recommend quality content and increase content exposure, which then brings the content to What's Hotlists. In this way, content on the platform is circulating with new and quality content being exposed to users, constantly refreshing What's Hotlists.

个性化推荐

Personalised recommendation

最后说说个性化推荐，其实是一个技术问题，目前非常热门的大数据，核心问题之一就是解决个性化推荐。它常见于音乐、视频、新闻、电商等大平台，最具代表性的是亚马逊的个性化商品推荐和 Netflix 的影视作品推荐。可以看到这些平台的共性就是具有海量内容和海量用户，在如此巨大的平台上，编辑推荐、热门排行榜都无法完全驾驭所有内容和用户。如果能做到为每个用户量身推荐内容，会极大地提升内容推荐的效率，自然会取得商业上的巨大回报。

The third is a personalized recommendation, which still remains a technical problem. In fact, the big data that enjoys great popularity these days centres on how to make a personalized recommendation. The personalised recommendation is commonly seen on platforms such as music, video, news report and e-business. The most representative of personalised recommendation is the recommendation of products on Amazon and that of films and TV programs on Netflix. What these platforms share is a wealth of content and a massive user base,

which cannot be satisfied by Editor's Choice and What's Hotlists. If the platform could manage to provide tailor-made recommendation for individual users, the efficiency of content recommendation would be significantly raised and thus lead to a considerable commercial return.

个性化推荐常见的三种方式：①找到相似的用户看他们消费了什么内容，然后推荐给该用户.②根据当前消费的内容找到相似的内容推荐给该用户.③根据消费过的内容提取特征，找到更多相似的内容.运用最为广泛的是前两种，并没有孰优孰劣之分，不同场景下两者各有优缺点.

There are three common ways of personalised recommendation. The first is to learn what content users with similar traits have purchased and recommended the content to the cohort. The second is to recommend content similar to the content already purchased by the user. The third is to analyse characteristics of the content being purchased and recommend more content that also shares these characteristics. The first two are most widely applied. It is difficult to judge which one of the two means is superior, as they both have advantages in different scenarios.

内容推荐：编辑推荐、热门推荐、个性化推荐相辅相成

Content recommendation: Editor's Choice, What's Hot and personalised recommendation combined.

在 QQ 音乐的 APP 中，音乐馆的推荐模块是编辑推荐，人工干预力度较大，主要推荐新歌和应景的歌单.排行榜属于热门推荐模块，都是算法计算出的结果，反应了平台用户最喜欢的歌曲.猜你喜欢是个性化推荐的产品，经历过多次改版后，目前可以算是国内领先的个性化推荐系统，具有非常不错的口碑.

In the QQ Music app, the music library recommends songs by means of Editor's Choice. It is of a highly subjective nature and mainly recommends new songs and lists of songs for particular

occasions. Ranking lists of songs are used in the section of What's Hot, which are produced by means of arithmetic calculation and show the most popular songs among users on the platform. Songs in the Guess You Like section are results of personalised recommendation, which after multiple revisions, has been the most developed recommendation system in China and boasts wide popularity.

互联网时代将是一个服务为主的时代，用户需要的不仅是高品质的网络应用内容，还有个性化的服务体验.对于在线音乐平台而言，如何增强产品核心竞争力以获得更多用户成为各在线音乐平台发展的下一个命题。而利用巨大用户流量打造综合性平台、提供多元化产品和服务、围绕音乐构建起新型生态圈已成为不少音乐平台的选择。准确把握用户需求、提供精准的服务，才能使用户感受到无所不在的音乐魅力.QQ 音乐率先开创性的将传统的音乐播放器与网络互动深度结合起来，使得用户能够随时随地搜歌、淘歌，与好友推荐并共享正版、高质量的音乐.QQ 音乐提供了完美的在线音乐生活体验，让音乐不再是生活中的附属品，更演变为用户在生活工作中传递情感、人际沟通、彰显个性的工具。

The age of the internet is service-oriented. What users need is not only quality content online but also personalised consumption experience, particularly the service they are offered. How to enhance the core competitiveness of products so as to increase the user base is vital to the development of online music platforms. Many music platforms have made efforts to avail of their significant user traffic to establish a comprehensive music-centred platform and echo sphere where products and services are diversified. Only by precisely understanding user needs and providing desirable services can platforms succeed in exposing users to the glamour of music. The QQ Music has taken the initiative to integrate traditional music players with online

interaction in a creative and in-depth manner, empowering users to search, explore, recommend their friends and share licensed music of high quality. The QQ Music offers users almost impeccable experience when they enjoy online music. It has transferred music from an accessory in life to a key instrument using which users can express their feelings, network and communicate with others, and show a personal style.

随着数字音乐市场规模和用户规模的不断扩大,吸引了众多市场主体参与其中。内容提供商不仅包括唱片公司、独立音乐人和音乐节目制作公司。服务提供商更是发展多元,包括在线音乐平台、原创音乐平台、重视内容生产,争夺版权资源值

Vast majority of market entities are taking part in the continuous expansion of China's Digital Music market and user scale. Content providers include record labels, independent musicians, and music production companies. Service providers are more diversified, including online music platforms, original music platforms, emphasis on content production, and competition on copyright resource.

Interview 15. (27 Aug. 2016)

企业管理过程中则需要注意管理理论的本土化实践。现实情况是，我们认识到了中国情境的特殊性，却缺少将理论由个性上升到共性，特殊上升到一般的过程。

We should pay much attention to the localisation of management theories in enterprise management practice. However, the reality is that although we recognise the particular context in China, a general process for adapting a specific theory to more universal situations is still not available.

从中国管理实践中提炼出一般管理理论，即“一般经验通过尝试和检验之后得到的规律、规则、方法和程序的总和”。

To create a general management theory from the management practices in China means “an integration of the patterns, rules, methods, and procedures acquired from the general trial and testing experiences”.

在对待源自西方管理实践的管理理论时，有一种倾向是，当其中的原理在实践中行不通时，就试图否定整个管理原理的框架。

One attitude towards management theory derived from Western management practices is to reject the whole framework when one of its principles does not work in practice.

语义的不同、使用的情境和环境的不同、对管理原理的误解等原因都有可能造成管理理论在运用到实践中产生异化现象，也就是我们所说的“水土不服”现象。这种“水土不服”需要企业管理者在将理论运用到实践过程进行本土化，但并不说明一般管理理论本身存在问题因而必须重新构建一个中国管理学。

Semantic differences, different application contexts and circumstances, misunderstanding of management principles and some other reasons are all likely to cause the alienation of

management theory in practice. This is the so-called “failure to accommodate to local conditions”. This alienation requires enterprise managers to adapt the theories to actual conditions in practice. However, it does not mean that the general management theory itself has problems. Therefore, it is unnecessary to create a science of Chinese management.

中国管理研究的价值一定是在基于中国情境的特殊性之上的一般管理理论的提取。德鲁克曾对管理问题有过一段精辟的论述：“管理是关于人类的管理，其任务就是使人与人之间能够协调配合，扬长避短，实现最大的集体效益……因为管理涉及人们在共同事业中的整合问题，所以它是被深深地植根于文化之中。管理者所做的工作内容都是完全一样的，但是他们的工作方式却千差万别。因此，发展中国家的管理者所面临的一个基本挑战就是，如何发现和确定本国的传统、历史与文化中哪些内容可以用来构建管理，确定管理方式。”不同情境下的管理方式千差万别，但如何从个性到共性、从特殊到一般则将是管理研究的最终目的与使命。

The significance of the research on Chinese management lies in the refinement of the general management theories based on the particular context in China. Drucker made a famous comment on the issues of management: “Management is about human beings. Its task is to make people capable of joint performance, to make their strengths effective and their weaknesses irrelevant... Because of management deals with the integration of people in a common venture, it is deeply embedded in the culture. What managers do is exactly the same, but how they do it may be quite different. Thus, one of the basic challenge’s managers in a developing country face is to find and identify those parts of their own tradition, history and culture that can be used as management building blocks”. Management style varies greatly in different contexts, but the ultimate goal of Chinese management research is to ascend from individuality to commonality, from particularity

to universality.

同时，中国的思维方式、文化特点及认知习惯的不同导致中国管理研究成果难以被不同语义、语境下的国外管理者所理解。

On the other hand, the features of Chinese ways of thinking, cultural peculiarities and cognitive habits make it difficult for foreign managers who get used to different semantic pattern and context to understand the findings of Chinese management research.

DRUCKER 曾指出，在管理中，90%的管理工作是一般化的，是与人打交道的工作，是通过人来完成的工作。如果用这种方法来领导员工，将会使他们每一个个体都充分发挥知识和才干。剩下的 10%则会根据不同公司的经营宗旨、文化、历史、对组织类型的描述(营利组织或非营利组织)而有所不同。管理理论的目的就在于提供一套可以传授的知识体系，而这类知识应当具备共享性。

DRUCKER has pointed out that 90% of management work is very universal, dealing with people and accomplishing the work through people. Leading staff in this way will allow every one of them to make the most of their knowledge and talent. The remaining 10% varies with a company's business objectives, culture, history, and organisation type (for-profit or non-profit). The creation of management theories is to provide a system of knowledge that can be imparted, and such knowledge is shareable.

未来中国管理研究应透过管理现象，探索存在的一般规律，提炼出具有普世价值的管理新理论。

In the future, Chinese management research should explore the general laws behind management phenomena and extract new management theories with universal values.

虽然，基于文化认同或实践独特性来发展管理理论是中国学者必须要经历的一个阶段，但就理论而言，西方管理理论在运用到中国本土管理实践中出现的异化现象则要求实践的本土化。传统、历史与文化的不同导致了管理方式多样性，管理实践的本土化正是对于这种多样性的体察与理解。将科学的普遍原理与具体实践相结合是社会科学乃至任何科学都必须遵循的基本思想原则。

Cultural identity or unique practice-based development of management theory is a stage that Chinese scholars must go through. However, the alienation arising from the application of Western management theories to the practice in China requires localisation in practice. The differences in tradition, history and culture have led to the diversification of management style. Localisation in management practices manifests and interprets exactly such diversity. The combination of universal scientific principle and concrete practice is the basic ideological principle that must be followed in social science or even any science.

说明企业外部环境有三个显著的特征：

- （1）波动性，即外部环境经常发生变化而且难以[预测](#)；
- （2）不可控性，即外部环境的变化不受单个企业的控制；
- （3）差异性，即外部环境对不同类型的企业影响各不相同。

The external environment of the enterprise has three significant characteristics:

- (1) Volatility that is, the external environment often changes and is difficult to predict.
- (2) Uncontrollable, that is, a single enterprise does not control changes in the external environment.

(3) Difference, that is, the external environment has different effects on different types of enterprises.

对每一种管理实践的影响因素并不完全一样，对于一些管理实践，受本土文化的影响可能多一些，也就是说，这些管理实践具备更多的中国特性。

The factors that affect each management practice are not exactly the same. For some management practices, they may be more affected by local culture, that is, these management practices have more Chinese characteristics.

文化与社会责任的管 理实践受文化的影响为主，受外部环境的影响为次。中国虽然没有许多工业化的管理经历，但中国在长期的管理实践之中积累了大量的作为统治者的经验。许多中国早期管理思想都是基于统治者、管理者的视角之上的。比如儒家修齐治平的思想以“治国平天下”为终极目标；道家讲究“无为”管理。中国出现了许多成功的领导者、经营者，他们在对自己队伍的战略选择、处理自我利益与社会责任的关系上的理念都足以让今人效仿。当然，文化与社会责任的管 理实践除了需要领导者的高瞻远瞩之外，还受到外部环境的影响，在制定战略和文化建设的时候，还要考虑国家政策和政府角色、地域特点等。

The management practice of culture and social responsibility is mainly influenced by culture and secondly by the external environment. Although China does not have many industrialised management experiences, China has accumulated a lot of experience as a ruler in long-term management practices. Many early Chinese management thoughts are based on the perspectives of rulers and managers. For example, from a Confucius perspective "rule the country well in order to make the world a peaceful place" is the ultimate goal; Taoism pays attention to "Nada " management. Many successful leaders and managers have emerged in China, and their ideas on

strategic selection of their own team and the relationship between self-interest and social responsibility are role-models for many people to follow. Of course, in addition to the long-term vision of leaders, the management practice of culture and social responsibility is also affected by the external environment. When formulating strategies and cultural development, we must also consider national policies, government roles, and regional characteristics.

管理活动更多更重要的是其社会属性，即任何管理活动的实施和管理理论的运用，一定不能脱离其情境因素，尤其是作为管理活动主体和客体的人，否则不仅有可能事倍功半，而且无任何管理实效。

Management activity is more about its social attributes, that is, the implementation of any management activity and the application of management theory must not be separated from their contextual factors, especially those who are the subject and object of management activities, or else the efficiency will be halved or even not efficient at all.

Interview 16. (24 Oct. 2016)

企业价值链并不是孤立存在的，而存在于由供应商价值链、企业价值链、渠道价值链和买方价值链共同构成的价值链系统中。

Enterprise value chain exists in a value chain system that integrates the value chains of suppliers, the enterprise itself, distribution channel and buyers rather than as an isolated component.

这给数字音乐管理带来了一个新的世界，促使管理者从更宏观的层面上和更为复杂的关系中对企业活动进行把握。产业价值链对企业的生产经营活动有着积极的影响。处于一条产业链上的诸多企业经过整合之后，生产经营效率将获得极大地提高，产生 $1+1>2$ 的效果。相比起独立的企业运转，产业链系统内的企业可以通过共享某些价值活动有效降低运营成本。比如一个经过纵向整合，涵盖供应商价值链的企业集团的价值系统，由于可以在管理和交易的环节共享价值活动，因此相比于原来在市场交易和管理方面没有联结点出现的情况，能够降低企业的交易成本，从而确立企业的成本优势。当产业价值链形成之后，资源就可以得到多次利用，产生更多的价值。这一理论给了我们这样的启示：为了发挥产业链的整合优势，实现“共赢”，产业链上的各企业应达成战略共识，在信息共享和资源优化配置的前提下，从企业生态链的高度理解与其他企业合作的意义，充分发挥自己的优势，积极寻求有效竞争的手段和模式，互相协作，完善利润分成模式。

This provides a new perspective for the management of the Digital Music Industry, allowing managers to gain an insight into company activities from a more macro level and more intricate relationships. An integrated industrial value chain has a positive impact on the production and operation activities of the corporation. The integration of multiple companies in the same industrial chain could greatly improve the efficiency in production and operations, generating a synergetic effect. Compared with an independently operated company, the corporation could

significantly reduce the operating cost by sharing the value activities among its businesses spanning the industrial chain. For example, a vertically integrated corporate group, which incorporates the supplier value chain, could reduce the trading cost and thereby establish its cost advantage due to the elimination of junction points of trading and management in marketplace. Once the industrial value chain has formed, many resources could be reused for multiple times, creating more value. This theory prompts a thought: to take the advantage of integrated industrial chain and achieve reciprocity, companies from the same industrial chain should reach a strategic consensus based on information sharing and optimisation of resource allocation in order to understand the significance of cooperation between companies from the perspective of enterprise ecological chain, harness their own strengths, seek the effective competition approach and mode proactively, coordinate the operations, and refine the profit-sharing scheme.

数字音乐价值链呈网状结构特征，各环节都可以有多种收入途径导致其长尾效应显著

The value chain of Digital Music Industry has the characteristics of network structure, providing multiple income streams for each sector, and thereby the long tail effect is significant.

QQ 音乐从腾讯那里获得了功能强大的客户反馈收集系统，并受益于其差异化策略。消费者追求个性化、差异化的需求是推动音乐产品发展的关键。数字音乐发展和普及让不同风格的音乐作品得以共存，为非主流音乐作品提供了充足的顾客群体，同时加大了定制化服务的需求。其目的是便于这些顾客能够迅速快捷、低成本地寻找到自己喜欢的音乐作品。其次根据长尾理论，规模经济在提供了大规模生产的同时，泯灭了消费者的个性化需求。而数字化音乐似的网络平台的音乐存储量增大，加上搜索引擎的普及，消费者还是能满足自己的特殊个性需求，即表现为需求宽度的增大，从而也导致了并不看好的音乐作品扩大了受众面。数字音乐产业的发展改变了音乐产业的价值传递方式，为非主

流音乐作品和目标顾客群体节省了大量的交易费用，产生了新的运作模式、产品形式和商业模式，长尾效应明显。

好声音的成功很有启示性

The success of “The Voice of China” is instructive.

QQ Music got really powerful customer feedback collection system from Tencent and benefited from its differentiation strategy. The personalisation and differentiation trend on consumer demand are a crucial impetus to the development of music-related products. The rapid development and growing popularity of Digital Music allow the coexistence of different music genres, develop a sufficient number of customers for non-mainstream music, and meanwhile increase the demand for customised service. All these aims to provide a convenient way for customers to find their favourite music at low cost. Moreover, according to the Long Tail Theory, economy of scale makes it possible for mass production while sweeping away the individuality in consumer demand. However, consumers are still able to meet their personalised demand due to the massive storage capacity of online music platform and the popularity of search engine, which is characterised by the enlarged audience for the unpromising music because of the increased diversity in demand. The development of Digital Music has changed the value transfer model in music industry and saved substantial trading cost for both non-mainstream music and its targeted customer group, thereby contributing to the emergence of new operation model, product form and business model and demonstrating a notable long tail effect.

QQ 音乐会定期通过电子邮件，应用程序和网络论坛提供激励措施，以征求建议。

QQ Music periodically gives incentives to solicit advice through various forums.

西方战略管理理论可以用方法来解释中国市场的变化。但由于变化的原因复杂且在跨文化背景下难以解释，因此无法有效地应用理论。

Western strategic management theories can interpret the changes in the Chinese market in terms of methods. Theories cannot be effectively applied due to the complicated reasons for the changes and difficult to explain in a cross-culture context.

所谓周边，在这里大概有两层意思，一个是以实物作为周边衍生商品兴起的垂直电商，例如网易云音乐的积分商城围绕音乐所构成的播放设备周边产品，主要以各种耳机和播放器为主。

The so-called periphery could have two implications in this background. One is the vertical e-commerce companies, emerging from the sale of physical peripheral products. The point store of NetEase Music is such an example, which mainly sells music players, headphones and other peripheral components for music players.

另一种则是内容周边，即以当红的直播模式为主，例如阿里星球、酷狗繁星等音乐流媒体的视频直播，或者是其他的电台直播。音乐流媒体嵌入直播可以说大大丰富了内容场景，如果可以的话甚至会切入 UGC 内容之中，形成差异化竞争力。如果单论盈利潜力的话，直播更具备现实基础——资本的青睐和盈利模式的清晰。直播的收入几乎养活了整个酷狗，其 70%的收入来自于繁星礼物打赏，30%来自于酷狗音乐的会员费、广告等。而且围绕高人气秀场主播进行造星活动，给予创作资源上的支持，能够再度为音乐流媒体平台的内容差异化做出更多的贡献，能够形成一个基于音乐流媒体周边内容的生产形成盈利闭环。

The other type of business model is providing peripheral content, which usually focuses on the live streaming of popular performers, such as the live video of music streaming media Alibaba

Planet and Kugou Fanxing and other stream live radios. The introduction of live streaming to music streaming media enriches the content and scene greatly. If possible, it can also be introduced to the content of UGC, forming competitive differentiation. In terms of profit potential, live streaming has a more solid realistic basis—favoured by the investment capital and having a clear profit model. The operation of Kugou relies heavily on the revenue from live streaming, 70% of which is from the sale of Fanxing Gift Token and 30% from membership and advertising. Furthermore, it also supports original music creation by making the most popular live-streaming performers live stars, which contributes to the content diversity of the music streaming media as well, thereby forming a closed profit loop based on the production of the peripheral content of music streaming media.

音乐作为文娱产业的核心内容之一，注定了其有着广泛的市场需求，但所有基于追溯历史的寻求解决盈利困境的办法显然都不够合适。对于音乐流媒体这一新兴数字内容而言，利用强需求和高粘性的使用特点，无论是单纯的付费收听亦或者是发展周边产业反哺主业都是不错的盈利模式。

As one of the core sectors in culture and entertainment industry, music is destined to have a large market demand. However, all the approaches aiming to seek the solutions to solve the dilemma of profitability by tracing history are inadequate. Music streaming media is an emerging digital content which has the features of high demand and coherence. Thus, it can achieve profitability by simply developing paid users or peripheral industry to subsidise the main business.

在商业利益和用户习惯之间，免费增值是一个各方之间博弈后的妥协结果。目前音乐流媒体平台的免费增值模式以会员形式展现，大概有这三种特权：去广告、云同步、无损下载。

Freemium is the result of a compromise between business profit and the habit of users after gaming among various parties. The current form of freemium of music streaming media is free membership, which offers the privileges of advertisement-free, cloud sync and lossless downloading.

Although freemium is the established profit model of the music streaming platform, it is undoubted that freemium just provides membership experience for users instead of adding content. User experience has been reduced either by the increased advertisement or removed cloud service, which would stimulate users to pay for a better experience.

但是站在用户角度来看，音乐内容本身才是音乐流媒体平台最值得付费的内容，因为「听音乐」是强需求，而去广告、云同步对于绝大部分用户而言，只能算是弱需求，对于用户，其增值的价值相对就会缩水很多。

From user's perspective, the most valuable part of music streaming platform is music itself, as listening to music is the hard demand. By contrast, advertisement and cloud sync is weak demand for most users. Therefore, the worthiness of value-added service will shrink significantly.

至于数字音乐下载，其和数字流媒体播放之间的关系竞争大于合作，本身两者内容不会有差异，仅仅是内容的承载方式上出现了变化，而载体就是无线网络。音乐流媒体本身的即需即点将会随着无线网络的提升而优势愈发凸显，直至完全淘汰数字音乐下载业务。所以无损音乐下载长期来看，其增值效果必然会逐步走弱。

As for Digital Music downloading, competition, other than collaboration, dominates its relationship with digital streaming media. There is no fundamental difference in content between these two forms, but the type of content carrier differs. The content carrier for music streaming platform is wireless network. Music streaming media makes it possible to play music as needed,

and this advantage will be reinforced with the improvement in wireless network, which will finally drive Digital Music downloading out of the market. Therefore, the value added by lossless music downloading will diminish in the long term.

对于音乐流媒体而言，免费增值模式就是做「试图讨好所有人」的傻事，对于免费听歌的用户而言，保留最基本的免费试听功能，加入广告植入以及一系列限制会大大降低用户体验，引起免费用户的反感;而对于付费用户而言，其对付费功能的价值感知度很低，又很难形成付费粘性。

“音乐云”技术，指的是用户收藏的音乐内容存储在云端，也就是个人云储存服务，通过该技术服务用户可以不受终端限制，随时享受音乐。云计算的典型特征是资源共享、按需分配、弹性调度、服务可扩展。“云计算”代表了这个时代需求，反映了市场关系的变化。用户可以通过手机、PC 和电视等多种设备终端，直接播放、分享存储在“云端”的海量音乐内容，无需在多个终端设备之间进行拷贝等工作，实现最便捷、有效的音乐共享。

“Music Cloud” technology is able to store users’ favourite music collections in cloud, namely personal cloud storage service, which allows users to enjoy music as they wish and free them from any restrictions from terminal devices. The typical characteristics of cloud computing are resource sharing, assigning resources according to demand, flexible task dispatch and extensible services. Cloud computing reflects the demand of this era and the transformation of market relations. The enormous music collections stored over the cloud can be played and shared in mobile phone, PC, TV and other devices, without the trouble of transferring files between devices, providing the easiest and most effective approach for sharing music.

QQ 数字相册的销售策略与情感设计紧密相关，并满足了功能级别之外的其他需求。

The sales strategies of QQ digital albums were closely linked to the emotional design and

to fulfil a further need beyond the functional level.

安全的支付方式，复杂的支付过程、无安全信用保证的支付方式会在很大程度上影响到用户的付费意愿和购买行为。QQ 音乐数字专辑付费的成功，跟智能手机的普及和手机端支付工具的便捷性不断提高也有很大的关系。

Secure payment. Complicated payment process or non-accredited payment could significantly influence the user's willingness to pay and purchase. The success of paid digital album of QQ Music can mainly be attributed to the increased popularity of smartphone and convenience of mobile payment.

Interview 17. (28 Oct. 2016)

文化部关于加强和改进网络音乐内容审查的通知 2009 年 8 月 26 日

Notice of the Ministry of Culture on Strengthening and Improving the Review of Online Music

Content 26/08/2009

这一政策最重要的一项是明确中国数字音乐的定义，明确数字音乐的目标。

The most significant of this policy is to specify the definition of Digital Music in China and clear the object of Digital Music.

这项政策规范了数字音乐市场秩序。它完善了数字音乐业务活动，包括制作在线音乐产品、出版和传播（一个新的产业链）。它重建了部分互联网公司和唱片公司（CPs）的结构，强化了中国数字音乐产业对组织管理理论的需求。

This policy regulated the order of the Digital Music market. It refined the Digital Music business activities including the production of online music products, publishing and dissemination (a new industrial chain). It reconstructs the structure of some Internet companies (SPs) and record companies (CPs) and strengthens the demand for organisational management theories in China's Digital Music Industry.

此外，这一政策仍然未能填补与数字音乐有关的知识产权法的空白。行政部门规范了数字音乐的交易规则，并设定了音乐内容的分类限制（与美国的标准相同）。在这一点上，它提出了内容管理理论是完全适用于中国的数字音乐，不受环境的影响。

Moreover, this policy still failed to fill the gaps in intellectual property laws associated with Digital Music. The administration regulated the trading rules of Digital Music and sets the classification limit for music content (same standard as the US). At this point, it made the content management theories are entirely applicable to China's Digital Music and not affected by the

environment.

广播电台录音制品报酬支付暂行办法 01/01/2010

Interim Measures for Paying Remuneration of Phonograms for Broadcasting Station 01/01/2010

中国主要媒体平台在广播和电视上播放和使用数字音乐，直到这部法律生效。近十年来，音乐著作权人没有从法律保护中受益，这暴露了中国在音乐产业中缺乏执法的事实。该政策反映出中国政府认识到知识产权对数字音乐发展的重要性，法律制度的不完善制约了数字音乐管理方式的发展。它指出，侵权数字音乐的成本是廉价的，但在中国，维权的方式是昂贵的。它直接影响到数字音乐业务的盈利能力，减缓了对相关商业模式的研究。幸运的是，这一政策扩大了中国数字音乐的收入渠道，为未来的版权管理奠定了基础。

Chinese major media platforms were broadcasting and using Digital Music on radio and television without paying until this law came along. Over the past decade, music copyright owners have not benefited from legal protection, which exposed the fact that China lack of legal enforcement in the music industry. The policy reflects that the Chinese government is aware of the importance of intellectual property to the development of Digital Music and deficient legal system limited the development of management approaches to Digital Music. It pointed out that the cost of infringing Digital Music is cheap, but the way to safeguarding rights is expensive in China. It directly affects the profitability of the Digital Music business and slowed down research on the related business model. Fortunately, this policy has extended the revenue pipelines of China's Digital Music and lay the foundation for copyright administration in the future.

国家知识产权战略实施计划 21/03/2013

National IP Strategy Implementation Plan 21/03/2013

这一程序不仅提高了中国的知识产权，而且旨在增强中国的国家版权保护意识。更重要的是，提高版权意识是避免盗版、加快中国数字音乐产业发展的最佳途径。当数字音乐产业发展较为稳定时，相应的理论研究和管理研究将更容易取得进展。从上一个总结;以下标准可以确定音乐产业是否成熟：音乐产品的生产和销售是否稳定;版权管理是否标准化;及支持服务是否更新;及收入分配是否合理。随着该政策的颁布，中国互联网公司加大了对版权的投资，而媒体平台、唱片公司正在共同努力推广合法的数字音乐。同时，收入分配直接关系到数字音乐的版权管理。数字音乐作为内容型产业的一部分，分配收入分配意味着它可以保持健康的长期发展。

This procedure not only improves China's intellectual property rights but also aims to enhance Chinese national copyright protection awareness. More importantly, developing copyright awareness is the best way to avoid piracy and to accelerate the development of China's Digital Music Industry. When the development of the Digital Music Industry is more stable, the corresponding theoretical study and management research will be more accessible to making progress. Summarised from the previous; the following criteria can determine whether the music industry is mature: whether the production and sales of the music product are stable; whether the copyright management is standardised; whether the supporting services are updated, whether the distribution of income is reasonable. As the policy was enacted, Chinese internet companies have increased investment in copyright, while the media platforms, record companies are working together to promote legal Digital Music. Meanwhile, income distribution is directly related to the copyright management of Digital Music. Digital Music as a part of a content-based industry, an appropriated income distribution means that it can maintain healthy long-term development.

在数字音乐平台的顺序，停止提供未经授权的音乐作品。08/07/2015

On the order of the Digital Music platforms to stop provided unauthorised music works.

08/07/2015

中西数字音乐产业最大的区别是什么？数字音乐的不同本质是西方数字音乐管理模式不适应中国市场的主要原因之一。然而，新政策彻底改变了音乐版权在中国数字音乐产业中的地位。一个由中国流媒体、中国唱片公司和主要国际唱片公司组成的联合体签署了一项授权书，承诺加强对音乐版权的保护。首先，共有 220 万首未经许可的歌曲从货架上撤下。其次，数字音乐产业获得了大量投资，构建了一个"生态系统"——QQ 音乐的成功商业模式。

Which is the most significant difference between China and Western Digital Music Industry?

The different nature of Digital Music is one of the main reasons why the west Digital Music management model is not well adapted to the Chinese market. However, the new policy completely changed the status of music copyright in China's Digital Music Industry. A consortium of Chinese streamers, Chinese labels, and the leading international labels signed a mandate pledging to enforce protection of music copyright. Firstly, a total of 2.2 million unauthorised songs is pulled from the shelves. Secondly, the Digital Music Industry has received a lot of investment to build an "ecosystem" -- a successful business model from QQ Music.

“避风港原则”运用有时成了数字音乐侵权行为的避风港，“避风港原则”的初衷是调节权利人和公众利益之间的关系，但这-原则的不当解读反而使其演变成

某些侵权者避免承担侵权赔偿责任的“合法”借口,这种“先侵权、等通知;不通知、不负责;你通知、我删除、我免责”的运用失范，为数字音乐的盗版商提供了免死金牌,虽有“红旗原则”对其有所控制，但实际案例中的把握仍然模糊不清，判定上模棱两可，“通知+移除”的模式依旧充当着数字音乐侵权的挡箭牌。

“避风港”原则是指在发生著作权侵权案件时，当 ISP (网络服务提供商)只提供空间服务，并不制作网页内容.如果 ISP 被告知侵权，则有删除的义务,否则就被视为侵权。

“红旗”原则是“避风港”原则的例外适用，红旗原则是指如果侵犯信息网络传播权的事实是显而易见的,就像是红旗一样飘扬。网络服务商就不能装做看不见，或以不知道侵权的理由来推脱责任,如果在这样的情况下，不移除链接的话，就算权利人没有发出过通知，我们也应该认定这个设链者知道第三方是侵权的。

Interview 18. (29 Oct. 2016)

用户基于服务体验的消费行为

Consumer consumption behaviour based on service experience.

用户基于用户体验进行的消费行为主要分两种,一种是对平台开放展示的一切服务进行消费,一种是对增值服务进行消费。

There are two main types of consumer behaviours based on user experience. One is to consume all services that are open to the platform, and the other is to consume value-added services.

一种是平台提供的增值服务内容。第一种服务内容包括用户创造的内容(UCC)与平台创造的内容(PGC)。以 QQ 音乐为例,平台让用户自己上传与创造富有个性化的歌单内容,打破了以往以歌手专辑为主对风格、主题的分类的常规方式,同时用户在歌曲下面的评论内容也成为互动交流下创造的内容,QQ 音乐曾经优选歌曲下用户的经典评论投放到杭州地铁,高效传递 QQ 音乐的产品价值,是一次成功的市场营销。他坚持以用户为主体,鼓励人们通过社交圈进行音乐的分享,进一步强化用户的社交属性,聚集潜在消费者群体。此外,鼓励用户创造 UGC 内容可以吸引更多的流量,抢占其他用户的注意力,平台吸引的流量越多,对于该平台宣传的艺人推广能力就越强,也就为建立更多消费模式与培养更多潜在消费者提供丰富机会。

One is all service content that the platform is open to display, and the other is value-added service content provided by the platform. The first service content includes user-created content (UCC) and platform-generated content (PGC). Taking QQ music as an example, the platform allows users to upload and create a personalized song list, breaking the conventional way of categorising styles and themes based on singer albums. At the same time, the user 's comments below the song also encourage interactions between users. The content created under the exchange, QQ

Music once optimised the classic comments of the users under the song to the Hangzhou Metro, and effectively delivered the product value of QQ Music, which was a successful marketing, which insists on users as the main body, encourages people to share music through social circles, further strengthens users' social attributes, and gathers potential consumer groups. In addition, encouraging users to create UGC content can attract more traffic and grab the attention of other users. The more traffic the platform attracts, the stronger the promotion ability of artists promoted on the platform, and the more it will establish and consume more models. More potential consumers will also provide rich opportunities.

QQ 音乐通过主播电台、付费精品等栏目涉足 PGC，根据用户“消费能力强”“追求生活品质”“一二线城市集中度最高”等定位，推出心理、艺术、亲子等方面的付费精品内容，在丰富盈利模式的同时潜移默化地培养用户良好的消费习惯，填补用户潜在的部分消费需求，至此，用户、音乐人与平台构成一个有序互动的生态圈，大大提升音乐消费的参与度。第二种平台提供的增值服务内容主要包括专属曲库、个性皮肤、免费下载歌曲等会员特权，各平台为了提升用户体验不断对特权内容进行创新，刺激更多用户对于增值服务进行付费。

QQ Music has set foot in PGC through columns such as music radio and paid premiums. According to its positioning of “strong consumer power”, “pursuit of quality of life” and “highest concentration in first- and second-tier cities”, QQ Music has launched premium content in psychology, art, parent-child and other paid premium content. While enriching the profit model, it also cultivates the user's good consumption habits implicitly and fills some of the potential consumption needs of the users. At this point, users, musicians and the platform form an orderly interaction ecosystem, which greatly enhances the participation of music consumption. The

value-added services provided by the second platform mainly include membership privileges such as exclusive music libraries, personalised skins, and free download of songs. Each platform continues to innovate privileged content in order to improve user experience and stimulate more users to pay for value-added services.

网络服务提供商在音乐产业中的参与还提出了一种以其在通信渠道上的优势取代传统音乐产业的趋势。从业务模型的角度来看，拥有大量在线用户的 Internet 行业从需要用户流量的第三方获得收入。允许用户无限制地在线访问和使用数字录音产品是提高用户流量的一种必不可少的手段，因此网络服务提供商致力于提供免费分发和下载数字录音的平台。另一方面，出版商和制作人仍然依靠音乐作品和录音制品的许可或发行来获取收入。甚至他们直接参与数字唱片的发行都是基于这样的前提，即音乐的发行和使用应受到控制。

The involvement of network service providers in the music industry also posed a tendency to replace the traditional music industry by their superiority in communication channels. From the perspective of the business model, the Internet industry, with a large number of online users, obtains revenue from third parties that need user traffic. Allowing users to access and use digital recording products online without limits is an essential means to improve user traffic, so network service providers are committed to providing platforms for free distribution and download of digital sound recordings. On the other hand, both publishers and producers still rely on the licensing or distribution of musical works and sound recordings to obtain revenues. Even their direct participation in the distribution of digital records is based on the premise that music distribution and use should be controlled.

因此，与试图通过版权保护其商业模式的录音制作人不同，互联网行业的实体提出了各

种“反版权”建议。

Therefore, unlike the producers of sound recordings who sought to protect their business models through copyright, the entities of the Internet industry put forward various “anti-copyright” proposals.

他们质疑互联网环境下日益复杂的音乐版权制度，以寻求使用音乐作品的合法性，而互联网上没有任何障碍。但是，对于音乐作品的发行者和制作人而言，随着互联网时代的到来，他们传统的商业模式开始失败。因此，他们获取利润的主要方式是最终确认并行使许可给网络服务提供商的版权。

They questioned the increasingly complex music copyright system in the Internet environment to seek legality for the use of musical works without any barrier on the Internet. However, for publishers of musical works and producers, their traditional business model started to fail with the advent of the Internet age. Therefore, the primary way for them to regain profit is to conclusively confirm and exercise the copyright licensed to network service providers.

无论如何，许多最初可能会通过互联网获得流行的艺术家仍然选择使用主要唱片公司进行签名。因为唱片公司的丰富经验，与主要媒体组织和广播电台的联系，公共关系专业知识，获得主流发行形式的机会以及职业生涯规划的一般知识，均可以实现。

Regardless, many artists who may initially gain popularity through the Internet still elect to sign on with a major record label. Their wealth of experience, connections with major media organisations and radio stations, public relations expertise, access to mainstream forms of distribution and general knowledge of career strategising allow.

增强服务意识

Enhance service awareness.

基于互联网的业务服务，则需要给客户提供一对一的个性化服务体验。同时，客户满意度在互联网上有实时传播和迅速放大的效应，一条评价、一个体验都有可能对企业的业务经营造成一定影响。因此，企业必须增强全面服务意识，以客户为中心，加强互动交流，满足其服务需求，进而提高客户忠诚度，保证客户服务的连续性。

Internet-based business services need to provide customers with a one-to-one personalised service experience. At the same time, customer satisfaction has the effects of real-time dissemination and rapid amplification on the Internet. An evaluation and experience may have a certain impact on the business operations of an enterprise. Therefore, enterprises must enhance their overall service awareness, focus on customers, strengthen interaction and communication to meet their service needs, and then increase customer loyalty and ensure customer service continuity.

根据外在环境清晰的进行战略定位

Strategic positioning based on the external environment.

企业应根据自身产品及特点，首先明确卖什么、卖给谁、怎么卖，即产品是否适合在互联网上销售，其消费人群都是哪些，如何卖于目标人群；然后根据对产品的科学评估，清晰定位，找出具体发展策略。

Based on their products and characteristics, enterprises should first clearly define what they sell, to whom they sell, and how to sell, that is, whether the product is suitable for sale on the Internet, who are their consumers, and how to sell to the target population; Clear positioning and identify specific development strategies. Then, based on the scientific evaluation of the product, a clear positioning is made to find out the specific development strategy.

Interview 19. (30 Oct. 2016)

音乐播放软件具备基本的帐号管理、音乐播放器、音乐管理、搜索、个性化装扮、排行榜等基础功能，能满足用户基本的听歌、搜歌、管理音乐等需求。

Music player software has basic account management, music player, music management, search, personalised dress, rankings and other basic functions, which can meet users' basic needs of listening to songs, searching for songs, and managing songs.

在内容上，除了在线音乐外，还提供搭载了其他类型的丰富的内容的电台，包括翻唱、创作歌曲、有声书、广播剧、DJ、相声曲艺等，作为对单一音乐内容的补充。“音乐课堂”更是云音乐对在线教育的一步探索。

In terms of content, in addition to online music, it also provides radio stations equipped with other types of rich content, including cover versions, songwriting, audiobooks, radio dramas, DJs, and stand-up comedy, etc., as a supplement to single music content. Cloud music takes the online education even further to “online music classes.”

除此之外，随着泛娱乐化的延伸，数字音乐的粉丝经济的特点日益突出，尤其是在线演艺和在线直播领域。2014 年以来，虾米音乐率先试水 C2B 歌迷演唱会模式，将演唱会主导权赋予歌迷，歌迷可以通过线下、线上直播的方式参与其中，大部分歌迷选择了观看演唱会网络同步直播。

In addition, with the extension of entertainment, the characteristics of the fan economy of Digital Music are increasingly prominent, especially in the field of online performing and online live broadcast.

自 2014 年以来，Xiaami Music 率先测试了 C2B 粉丝演唱会模式，使粉丝在演唱会中占据主导地位。粉丝可以参加离线和在线直播。大多数歌迷选择在线观看音乐会。

2015 年周边经济增长

在这种背景下，所谓的外围可能有两个含义。一种是垂直电子商务公司，它们是从实体外围产品的销售中产生的。

QQ 音乐的积分商店就是这样一个例子，它主要销售音乐播放器，耳机和音乐播放器的其他外围组件。

另一种类型的商业模式是提供外围内容，通常侧重于著名表演者的直播，例如音乐流媒体阿里巴巴星球和 Kugou Fanxing（属于腾讯/ QQ 音乐）的直播视频以及其他直播电台。

将实时流引入音乐流媒体极大地丰富了内容和场景。如果可能的话，也可以将其引入教资会的内容中，从而形成竞争优势。关于获利潜力，实时流媒体具有更实质的现实基础- 受投资资本的青睐，并具有精确的获利模型。Kugou 的运营主要依赖于实时流媒体的收入，其中 70% 来自销售 Fanxing Gift Token，而 30% 来自会员和广告。此外，它还通过使最受欢迎的现场直播表演者成为明星来支持原创音乐创作。

网易 2018 年年报显示，网易 2017 年“电子邮件及其他服务”的信息成本为 9 亿元人民币，较 2016 年的 2.66 亿人民币增长了三倍以上，网易音乐的版权成本是其主要推动力。急剧增加。此外，根据网易云音乐 2017 年官方公告，购买朴树新专辑《猎户座星座》的独家流媒体和销售权费用为人民币 2000 万元，但销量不到 17 万张专辑，利润低于 255 万元。

Since 2014, Xiami Music has taken the lead in testing the C2B fan concert mode, giving fans the dominance of the concert. Fans can participate in offline and online live broadcasts. Most fans have chosen to watch the concert live online.

Periphery economy rising in 2015.

The so-called periphery could have two implications in this background. One is the vertical e-

commerce companies, emerging from the sale of physical peripheral products.

The point store of QQ Music is such an example, which mainly sells music players, headphones and other peripheral components for music players.

The other type of business model is providing peripheral content, which usually focuses on the live streaming of famous performers, such as the live video of music streaming media Alibaba Planet and Kugou Fanxing (belong to Tencent/QQ Music) and other stream live radios. The introduction of live streaming to music streaming media enriches the content and scene greatly. If possible, it can also be introduced to the content of UGC, forming competitive differentiation. Regarding profit potential, live streaming has a more substantial realistic basis—favoured by the investment capital and having a precise profit model. The operation of Kugou relies heavily on the revenue from live streaming, 70% of which is from the sale of Fanxing Gift Token and 30% from membership and advertising. Furthermore, it also supports original music creation by making the most popular live-streaming performers live stars.

NetEase's 2018 annual report shows that the information cost of NetEase's "e-mail and other services" in 2017 was 900 million Yuan, which has more than tripled from 266 million in 2016, with the NetEase music incurred copyright costs being the main driving force this drastic increase. In addition, according to NetEase Cloud Music's 2017 official announcement, 20 million Yuan were cost to purchase the exclusive streaming and sales rights of Pu Shu's new album 《Orion Constellation》 but sold less than 170,000 albums, profiting less than 2.55 million yuan.

总体看来，数字音乐消费模式仍然存在付费种类复杂、版权变动频繁及用户体验不佳等问题。首先，数字音乐产业的版权资源分散于各大平台，向用户提供数字专辑、付费单

曲等多种付费选择，用户对于同一首歌可能出现以不同形式重复付费的可能性。其次，目前数字音乐版权仍处于动荡不安的状态，不利于增加用户对于数字音乐平台的使用黏性，用户容易对数字音乐付费产生不信任感，从而选择其他免费途径使用音乐并养成不良的消费习惯。最后，数字音乐的消费体验仍存在较大的升级空间，及时优化有助于用户消费习惯的养成，从而构建完善的数字音乐版权生态。

Generally speaking, the Digital Music consumption model still has problems such as complicated payment types, frequent copyright changes, and poor user experience. First, the copyright resources of the Digital Music Industry are scattered across major platforms, providing users with a variety of payment options such as digital albums and paid singles. Users may purchase the same song repeatedly in different forms. Secondly, the current situation of Digital Music copyright is not stable, which is not conducive to increasing the stickiness of users for Digital Music platforms. Users are prone to distrust of Digital Music payments and choose other free channels to use music and develop negative consumption habits. Finally, there is still a lot of room for upgrading the Digital Music consumption experience, and timely optimisation can help users develop their consumption habits, thereby building a complete Digital Music copyright ecosystem.

“多对多”价值流动的特征,赋予数字音乐产业获利途径多样化的优势。目前除了众筹之外,数字音乐产业中内容生产者与用户的直接互动,要为唱片公司通过用户消费的偏好反馈进行内容生产方向的调整。未来以粉丝效应联结的内容生产者与用户,也可通过唱片公司自身的在线销售平台的构建,直接面向粉丝群体及其它用户进行产品的销售,发展粉丝经济的新形式。

The characteristics of "many-to-many" value flow give the Digital Music Industry an advantage

in diversifying its profit path. In addition to crowdfunding, the direct interaction between content producers and users in the Digital Music Industry currently requires content producers to adjust the direction of content production through feedback from consumer preferences. In the future, content producers and users connected by the fan effect can also use the construction of the record company's own online sales platform to directly sell products to fan groups and other users and develop new forms of fan economy.